



Rand West City Local Municipality  
(Registration number GT485)  
Financial statements  
for the financial period ended 30 June 2017

# Rand West City Local Municipality

(Registration number GT485)

Financial Statements for the financial period ended 30 June 2017

## General Information

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### Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

### Nature of business and principal activities

- Provision of a democratic and accountable local government;
- Ensuring the provision of sustainable municipal services;
- Promotion of social and economic development;
- Promotion of a safe and healthy environment; and
- Encourage the involvement of communities and organisations in the matters of local government in the Rand West City area.

### Members of Council

Executive Mayor

Cllr. M.E. Khumalo

Speaker

Cllr. V. Nqina-Mzondeki

Council Whip

Cllr. M. Jokazi

Members of Mayoral Committee

MMC Public Safety: Cllr. J. Legoete

MMC Health and Social Services: Cllr. A. Gela

MMC Environment and Waste Management: Cllr. D. Molebatsi

MMC Finance: Cllr. T. Grobler

MMC Human Settlement: Cllr. S. Matakane

MMC LED: Cllr. S. Mazibuko

MMC Corporate Support: Cllr. S. Moumakwe

MMC Sports and Culture: Cllr. N. Dyase

MMC Water and Sanitation: Cllr. D. Sithole

MMC Roads and Storm Water: Cllr. G. Khoza

Councillors

Cllr. B. Matebesi (Ward 01)

Cllr. M. Mtyotywa (Ward 11)

Cllr. D. Machaba (Ward 12)

Cllr. M. Ndamane (Ward 13)

Cllr. K. Tsotetsi (Ward 14)

Cllr. N. Mapena-Dlamini (Ward 15)

Cllr. D. Mbulula (Ward 16)

Cllr. T. Tlholoe (Ward 18)

Cllr. M. Sello (Ward 19)

Cllr. F. Matshogo (Ward 21)

Cllr. P. Faku (Ward 22)

Cllr. N. Matiwane (Ward 24)

Cllr. A. Saba (Ward 25)

Cllr. W. Matshaya (Ward 26)

Cllr. W. Njani (Ward 28)

Cllr. N. Kolo (Ward 29)

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## General Information

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Cllr. M. Ngamntwini (Ward 30)

Cllr. S. Khenene (Ward 31)

Cllr. I. Merabe (Ward 33)

Cllr. N Ncele (Ward 34)

Cllr. N. Baza (Ward 35)

Cllr. A. Van Tonder (Ward 03)

Cllr. S. Erasmus (Ward 04)

Cllr. E. De Lange (Ward 06)

Cllr. C. Harrison (Ward 07)

Cllr. J. Beaufort (Ward 08)

Cllr. P. Dick (Ward 09)

Cllr. G. Samson (Ward 10)

Cllr. I. Ramphore (Ward 20)

Proportional Representative Councillors:

Cllr. B. Mahuma

Cllr. G. Kruger

Cllr. E. Krog

Cllr. H. Hild

Cllr. D. Cloete

Cllr. J. Letlhake

Cllr. N. Williams

Cllr. P. Mavuso

Cllr. P. Francis

Cllr. S. Sekhokho

Cllr. J. Biyela

Cllr. F. Bergman

Cllr. R. Masemola

Cllr. B. Munyai

Cllr. A. Zingela

Cllr. J. Matebesi

Cllr. B. Ramaphala

Cllr. M. Ramothale

Cllr. B. Letlhake

Cllr. J. Letsholo

Cllr. M. Sethepo

Cllr. M. Mthimkhulu

Cllr. A. Mosina

Cllr. M. Nkoe

Cllr. C. Brough

**Grading of local authority**

Grade 4

**Accounting Officer**

T. Goba

**Chief Financial Officer**

B. Gunqisa

**Registered office**

Corner Sutherland & Pollock street  
Randfontein  
1760

# Rand West City Local Municipality

(Registration number GT485)

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## General Information

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<b>Postal address</b>	P. O. Box 218 Randfontein 1760
<b>Bankers</b>	ABSA Bank Ltd
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Bhika Calitz Attorneys Fick Attorneys Geldenhuys Van Ryneveld Attorneys Legwale Attorneys Malatji Attorneys Matseke Attorneys Motlatsi Seleke Attorneys Naidoo and Associates Incorporated Steyn and Steyn Attorneys Thaanyane Attorneys
<b>Currency</b>	South African Rand
<b>Rounding off</b>	Nearest Rand
<b>Telephone number</b>	011 411 0000
<b>Fax number</b>	011 693 1394
<b>Website</b>	<a href="http://www.randwestcity.gov.za">www.randwestcity.gov.za</a>

# Rand West City Local Municipality

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Financial Statements for the financial period ended 30 June 2017

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### Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
UIF	Unemployment Insurance Fund
SPCA	Society for the Prevention of Cruelty to Animals
MFMA	Municipal Finance Management Act (Act no.56 of 2003)
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
SARS	South African Revenue Services
VAT	Value Added Tax of 1991
SDL	Skills Development Levy

# Rand West City Local Municipality

(Registration number GT485)

Financial Statements for the financial period ended 30 June 2017

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 8 to 85, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017.

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**Accounting Officer**  
**T. Goba**

**Randfontein**  
**31 August 2017**

# Rand West City Local Municipality

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Financial Statements for the financial period ended 30 June 2017

## Accounting Officer's Report

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The accounting officer submits his report for the financial period ended 30 June 2017.

### 1. Review of activities

#### Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in my opinion require any further comment.

Net surplus of the municipality was R 47 094 051.

### 2. Financial sustainability

The municipality is currently faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services. Challenges faced regarding financial issues manifests in cash flow constraints.

During the current financial period, the municipality experienced serious cash flow challenges. While the municipality had taken reasonable steps to ensure that all creditors were paid within 30 days, it was not able to meet this criterion. Because of this, there were some instances where the municipality incurred interest in respect of outstanding balances of creditors.

Rand West City Local Municipality has developed a financial recovery plan which seeks to address the issues that have contributed to the current situation. This plan takes a holistic approach to the organisation and was presented to and approved by the Rand West City Local Municipality Council.

The plan is for various strategies to effect the changes needed for viability and sustainability of the municipality but not all could be considered due to its' limited cash-flow and institutional capacity. In addition to this, the strategies will be balanced between short term and long term to ensure the strategies will have the greatest impact based on the resources available, financial and human resources.

### 3. Fruitless and wasteful expenditure

Given the current financial position of the municipality, there were instances where the municipality incurred interest due to late payment of creditor accounts. The interest incurred in this respect was unavoidable and has been disclosed in 54.

### 4. VAT

SARS has issued a number of assessments on the VAT submissions of the municipality. Because of these assessments, the municipality has incurred interest and penalties. The municipality has submitted objections to SARS. Should the Municipality be successful, the municipality expects that SARS will waive the penalties and interest as disclosed in 47 as contingent asset.

### 5. Irregular expenditure

The municipality embarked on an overall review of the supply chain management function with the aim to support and implement a sustainable change within supply chain management. As part of its review, management conducted a detailed review of contracts that were awarded by the municipality. This review included confirming the scope and extent of contracts that were irregular.

This has resulted in a significant increase in the reported irregular expenditure. This increase resulted from irregular expenditure emanating from contracts awarded in the prior years. See note 55 for current financial period irregular expenditure incurred.

### 6. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is the continued funding by National and Provincial government for operational and capital activities.

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## Accounting Officer's Report

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### 7. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial period.

### 8. Merger

Based on the ruling of the demarcation board, former Randfontein and Westonaria Local Municipalities merged to form Rand West City Local Municipality effective 04 August 2016.

In terms of this, the period for which the results of the merger are included in the financial statements of Rand West City Local Municipality is from 04 August 2016 to 30 June 2017.

All assets and liabilities of former Randfontein and Westonaria Local Municipalities were transferred to Rand West City Local Municipality at carrying amounts. Both municipalities were using Munsoft financial system resulting in a successful migration of data.

Rand West City Local Municipality has adopted the accounting policies of former Randfontein Local Municipality.

### 9. Accounting policies

The financial statements were prepared in accordance with the Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

### 10. Accounting Officer

The accounting officers of the municipality during the financial period and to the date of this report are as follows:

Name	Changes
T.C. Ndlovu	Appointed 04 August 2016 and resigned 05 February 2017
T.M.M. Matshego	Appointed acting on 06 February 2017 to 31 May 2017
T. Goba	Appointed 01 June 2017

### 11. Secretary

The Secretarial function was performed by the Department of Corporate Support Services.

### 12. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Executives Committee meetings and monitor the municipality's compliance with the code on a monthly basis.

### 13. Bankers

For the financial period under review, the primary bank account of Rand West City Local Municipality was ABSA Bank.

### 14. Auditors

Auditor General of South Africa will continue in office for the next financial period.



# Rand West City Local Municipality

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## Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3	128 289 494
Receivables from exchange transactions	4	138 127 843
Receivables from non-exchange transactions	5	18 524 878
Prepayments	6	227 671
Inventories	7	3 846 939
Long term receivables	8	1 431 427
		<b>290 448 252</b>
<b>Non-Current Assets</b>		
Long term receivables	8	1 257 272
Investments	9	12 231 316
Biological assets that form part of an agricultural activity	10	629 337
Investment property	11	256 280 371
Property, plant and equipment	12	3 537 706 964
Intangible assets	13	6 819 328
Heritage assets	14	4 232 263
		<b>3 819 156 851</b>
<b>Total Assets</b>		<b>4 109 605 103</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payables from exchange transactions	15	544 173 578
Payables from non-exchange transactions	16	14 822 186
VAT payable	17	69 646 019
Unspent conditional grants and receipts	18	45 884 883
Consumer deposits	19	42 349 404
Finance lease obligation	20	9 139 884
Borrowings	21	4 888 520
Provisions	22	2 993 410
		<b>733 897 884</b>
<b>Non-Current Liabilities</b>		
Finance lease obligation	20	909 186
Borrowings	21	1 428 712
Provisions	22	129 620 384
Employee benefit obligation	23	200 399 427
		<b>332 357 709</b>
<b>Total Liabilities</b>		<b>1 066 255 593</b>
<b>Total Net Assets</b>		<b>3 043 349 510</b>
Reserves		
Accumulated surplus		3 041 678 568
Revaluation reserve	24	1 670 942
<b>Total Net Assets</b>		<b>3 043 349 510</b>

\* See Note 49

# Rand West City Local Municipality

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## Statement of Financial Performance

Figures in Rand	Note(s)	04 August 2016 to 30 June 2017
<b>Revenue</b>		
<b>Revenue from exchange transactions</b>		
Service charges	26	820 298 085
Rental of facilities and equipment	27	1 051 131
Interest received - investment	28	7 740 387
Interest received - outstanding receivables		12 325 736
Income from agency services	29	20 033 199
Other income	30	18 737 384
<b>Total revenue from exchange transactions</b>		<b>880 185 922</b>
<b>Revenue from non-exchange transactions</b>		
Property rates	31	166 076 536
<b>Transfer revenue</b>		
Government grants & subsidies	32	468 631 721
Public contributions and donations	12	28 325 731
Fines		16 462 806
<b>Total revenue from non-exchange transactions</b>		<b>679 496 794</b>
<b>Total revenue</b>		<b>1 559 682 716</b>
<b>Expenditure</b>		
Employee related costs	33	(419 122 257)
Remuneration of councillors	34	(21 369 653)
Depreciation and amortisation	35	(148 467 367)
Impairment loss of assets	36	(62 297 002)
Finance costs	37	(47 415 616)
Debt impairment	38	(72 321 473)
Assets derecognised	39	(9 768 315)
Repairs and maintenance		(30 451 963)
Bulk purchases	40	(557 022 101)
Contracted services	41	(43 007 056)
Transfers and subsidies	42	(1 500 000)
General expenses	43	(115 237 134)
<b>Total expenditure</b>		<b>(1 527 979 937)</b>
<b>Operating surplus</b>		<b>31 702 779</b>
Fair value adjustments	44	8 819 689
Actuarial gains	23	6 571 583
		<b>15 391 272</b>
<b>Surplus for the financial period</b>		<b>47 094 051</b>

\* See Note 49

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### Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported after the merger of Randfontein and Westonaria Local Municipalities 04 August 2016	1 670 942	3 060 726 792	3 062 397 734
Adjustments			
Prior merger adjustments*	-	(66 142 275)	(66 142 275)
<b>Restated opening balance at 04 August 2016</b>	<b>1 670 942</b>	<b>2 994 584 517</b>	<b>2 996 255 459</b>
Changes in net assets			
Surplus for the financial period	-	47 094 051	47 094 051
Total changes	-	47 094 051	47 094 051
<b>Balance at 30 June 2017</b>	<b>1 670 942</b>	<b>3 041 678 568</b>	<b>3 043 349 510</b>
See note for opening balance details	24	25	

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\* See Note 49

# Rand West City Local Municipality

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## Cash Flow Statement

Figures in Rand	Note(s)	04 August 2016 to 30 June 2017
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Taxation and fines		175 898 952
Sale of goods and services		685 173 364
Grants		447 905 915
Interest income		7 740 387
Other receipts		35 715 947
		<u>1 352 434 565</u>
<b>Payments</b>		
Employee costs		(426 114 852)
Suppliers		(599 741 869)
Finance costs		(36 083 871)
		<u>(1 061 940 592)</u>
<b>Net cash flows from operating activities</b>	45	<u><b>290 493 973</b></u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	12	(226 993 586)
Purchase of intangible assets	13	(830 775)
Increase in investments		567 663
Decrease in long term receivables		(693 825)
<b>Net cash flows from investing activities</b>		<u><b>(227 925 588)</b></u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings		(6 859 446)
Finance lease payments		(8 448 580)
<b>Net cash flows from financing activities</b>		<u><b>(15 308 026)</b></u>
<b>Net increase in cash and cash equivalents</b>		<u><b>47 260 359</b></u>
Opening cash and cash equivalents after the merger of Randfontein and Westonaria 04 August 2016		81 029 135
<b>Cash and cash equivalents at the end of the financial period</b>	3	<u><b>128 289 494</b></u>

\* See Note 49

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Variance	Note(s)
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	997 674 483	(159 087 939)	<b>838 586 544</b>	820 298 085	<b>(18 288 459)</b>	57.01
Rental of facilities and equipment	3 421 052	-	<b>3 421 052</b>	1 051 131	<b>(2 369 921)</b>	57.02
Interest received - outstanding receivables	17 461 100	-	<b>17 461 100</b>	12 325 736	<b>(5 135 364)</b>	57.03
Income from agency services	25 500 078	(8 226 381)	<b>17 273 697</b>	20 033 199	<b>2 759 502</b>	57.04
Other income	36 854 236	-	<b>36 854 236</b>	18 737 384	<b>(18 116 852)</b>	57.05
Interest received - investment	2 591 379	-	<b>2 591 379</b>	7 740 387	<b>5 149 008</b>	57.06
<b>Total revenue from exchange transactions</b>	<b>1 083 502 328</b>	<b>(167 314 320)</b>	<b>916 188 008</b>	<b>880 185 922</b>	<b>(36 002 086)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	198 963 858	-	<b>198 963 858</b>	166 076 536	<b>(32 887 322)</b>	57.07
<b>Transfer revenue</b>						
Government grants & subsidies	484 432 050	48 248 701	<b>532 680 751</b>	468 631 721	<b>(64 049 030)</b>	57.08
Public contributions and donations	-	-	-	28 325 731	<b>28 325 731</b>	57.09
Fines	15 749 776	(5 750 000)	<b>9 999 776</b>	16 462 806	<b>6 463 030</b>	57.10
<b>Total revenue from non-exchange transactions</b>	<b>699 145 684</b>	<b>42 498 701</b>	<b>741 644 385</b>	<b>679 496 794</b>	<b>(62 147 591)</b>	
<b>Total revenue</b>	<b>1 782 648 012</b>	<b>(124 815 619)</b>	<b>1 657 832 393</b>	<b>1 559 682 716</b>	<b>(98 149 677)</b>	
<b>Expenditure</b>						
Employee related costs	(453 466 952)	400 000	<b>(453 066 952)</b>	(419 122 257)	<b>33 944 695</b>	57.11
Remuneration of councillors	(27 904 156)	3 000 000	<b>(24 904 156)</b>	(21 369 653)	<b>3 534 503</b>	57.12
Depreciation and amortisation	(142 181 719)	(20 000 000)	<b>(162 181 719)</b>	(148 467 367)	<b>13 714 352</b>	57.13
Impairment loss of assets	-	-	-	(62 297 002)	<b>(62 297 002)</b>	57.14
Finance costs	(4 941 810)	-	<b>(4 941 810)</b>	(47 415 616)	<b>(42 473 806)</b>	57.15
Debt impairment	(45 754 600)	25 000 000	<b>(20 754 600)</b>	(72 321 473)	<b>(51 566 873)</b>	57.16
Assets derecognised	-	-	-	(9 768 315)	<b>(9 768 315)</b>	57.17
Repairs and maintenance	(69 403 023)	26 403 023	<b>(43 000 000)</b>	(30 451 963)	<b>12 548 037</b>	57.18
Bulk purchases	(627 737 991)	59 000 000	<b>(568 737 991)</b>	(557 022 101)	<b>11 715 890</b>	57.19
Contracted services	(37 157 281)	(5 000 000)	<b>(42 157 281)</b>	(43 007 056)	<b>(849 775)</b>	57.20
Transfers and subsidies	(420 000)	(1 080 000)	<b>(1 500 000)</b>	(1 500 000)	-	57.21
General expenses	(143 674 618)	22 115 000	<b>(121 559 618)</b>	(115 237 134)	<b>6 322 484</b>	57.22
<b>Total expenditure</b>	<b>(1 552 642 150)</b>	<b>109 838 023</b>	<b>(1 442 804 127)</b>	<b>(1 527 979 937)</b>	<b>(85 175 810)</b>	
<b>Operating surplus</b>	<b>230 005 862</b>	<b>(14 977 596)</b>	<b>215 028 266</b>	<b>31 702 779</b>	<b>(183 325 487)</b>	
Fair value adjustments	-	-	-	8 819 689	<b>8 819 689</b>	57.23
Actuarial gains	-	-	-	6 571 583	<b>6 571 583</b>	57.24
	-	-	-	<b>15 391 272</b>	<b>15 391 272</b>	
<b>Surplus</b>	<b>230 005 862</b>	<b>(14 977 596)</b>	<b>215 028 266</b>	<b>47 094 051</b>	<b>(167 934 215)</b>	

# Rand West City Local Municipality

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Financial Statements for the financial period ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Mergers

##### Definitions

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Combined municipality is a new reporting entity formed from the combination of two or more entities.

Combining entities are the entities that are combined for the mutual sharing of risks and benefits in a merger.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A merger is the establishment of a new combined municipality in which none of the former entities obtain control over any other and no acquirer can be identified.

Merger date is the date on which entities are combined for the mutual sharing of risks and benefits and when the assets and liabilities are transferred to the combined municipality.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A merger is the establishment of a new combined municipality in which none of the former entities obtains control over any other and no acquirer can be identified. As no acquirer can be identified, a merger does not result in a municipality having or obtaining control over any of the entities that are involved in the transaction or event, as the combining entities are not controlled entities of each other, either before or after the merger.

##### Identifying the combined entity and combining entities

For each merger a combined municipality and combining entities is identified. All relevant facts and circumstances are considered in identifying the combined municipality and combining municipality.

The binding arrangement usually sets out which entities are to be combined as a result of the merger, and identifies the new reporting municipality after the merger.

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### 1.3 Mergers (continued)

#### Determining the merger date

The combined municipality and the combining entities identify the merger date, which is the date on which the new reporting municipality obtains control of the assets and liabilities and the combining entities loses control of their assets and liabilities.

All relevant facts and circumstances are considered in identifying the merger date.

#### Assets acquired [transferred] and liabilities assumed [derecognised]

The recognition of assets and liabilities by the entity as combined entity are subject to the following conditions:

The assets and liabilities that qualify for recognition in a merger are part of what had been agreed in terms of the binding arrangement, rather than the result of separate transactions.

### 1.4 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

In the process of applying Rand West City Local Municipality's accounting policies, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.4.1 Classification of leases

All arrangements that are classified as leases are evaluated as operating and finance leases. These are then accounted in the annual financial statements in terms of the relevant GRAP standard.

#### 1.4.2 Employee benefits including pension and other post-employment benefits

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### 1.4.3 Impairment of receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This was performed per service identifiable categories across all debtor classes.

#### 1.4.4 Impairment of property, plant and equipment, heritage assets and intangible assets

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

#### 1.4.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgments is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

#### 1.4.6 Useful lives of property, plant and equipment and intangible assets

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### 1.4 Use of estimates (continued)

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets are also based on management's judgments on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

### 1.5 Budget information

Rand West City Local Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through MFMA and the appropriate legislation.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 8/4/2016 to 6/30/2017.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.6 Financial reporting items

#### 1.6.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

#### 1.6.2 Cash generating assets

Cash generating assets are those assets held by Rand West City Local Municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

#### 1.6.3 Carrying Amount

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

#### 1.6.4 Cash generating unit

A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, Rand West City Local Municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating: the future cash inflows used to determine the asset's or cash generating unit's value in use; and the future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

#### 1.6.5 Costs of disposal

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

#### 1.6.6 Cost of inventories

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### 1.6.7 Current replacement cost

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.



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### 1.6 Financial reporting items (continued)

#### 1.6.8 Depreciation (Amortisation)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

#### 1.6.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

#### 1.6.10 Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### 1.6.11 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

#### 1.6.12 Impairment Loss

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

#### 1.6.13 Net realisable value

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

#### 1.6.14 Non-cash generating assets

Non-cash generating assets are assets other than cash generating assets.

#### 1.6.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Rand West City Local Municipality from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets:

- Property, plant and equipment;
- Investment property;
- Intangible asset ; and
- Heritage assets.

#### 1.6.16 Recoverable amount

Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

#### 1.6.17 Recoverable service amount

Recoverable service amount is the higher of non-cash generating asset's fair value less costs to sell and its value in use.

#### 1.6.18 Useful life

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### 1.6 Financial reporting items (continued)

Useful life is either the period of time over which an asset is expected to be used by Rand West City Local Municipality or the number of production or similar units expected to be obtained from the asset by Rand West City Local Municipality.

#### 1.6.19 Value in use of non-cash generating assets

Value in use of non-cash generating assets is the present value of the non-cash generating assets remaining service potential. The present value of the remaining service potential of a non-cash generating assets is determined using the depreciated replacement cost approach.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that Rand West City Local Municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an over designed or over capacity asset.

Over designed assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### 1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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### 1.7 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	5 - 100 years
Infrastructure	Straight line	5 - 100 years
Community	Straight line	5 - 100 years
Other property, plant and equipment	Straight line	3 - 10 years
Leased assets	Straight line	3 - 7 years
Library books	Straight line	3 - 50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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### 1.7 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.8 Biological assets that form part of an agricultural activity

The municipality recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

### 1.9 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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### 1.9 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

### 1.10 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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### 1.10 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.11 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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### 1.11 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Servitudes	Indefinite
Computer software	3 - 10 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

### 1.12 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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### 1.12 Heritage assets (continued)

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.13 Financial instruments

Financial instruments are recognised when Rand West City Local Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

#### 1.13.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition. Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Rand West City Local Municipality has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

#### 1.13.2 Financial assets at fair value

Financial assets that are held for trading or non-derivable financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

#### 1.13.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Rand West City Local Municipality has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

#### 1.13.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

#### 1.13.5 Financial liabilities

After initial recognition, Rand West City Local Municipality measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.



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### 1.13 Financial instruments (continued)

#### 1.13.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 1.14 Impairment of cash-generating assets

Cash generating assets are those assets held by Rand West City Local Municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Rand West City Local Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. As such, management has determined that Rand West City Local Municipality does not control assets that meet the definition of cash-generating assets. Accordingly, this standard was not implemented. The GRAP standard for the impairment of non-cash-generating assets will apply to all assets of the municipality.

### 1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

### 1.16 Leases

At inception of an arrangement, Rand West City Local Municipality determines whether the arrangement is or contains a lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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### 1.16 Leases (continued)

When a lease includes both land and buildings elements, Rand West City Local Municipality assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an operating lease.

#### Finance leases - Rand West City Local Municipality lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

#### Finance leases - Rand West City Local Municipality lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Rand West City Local Municipality will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

#### Operating leases - Rand West City Local Municipality lessor

Rand West City Local Municipality presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Rand West City Local Municipality's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

Initial direct costs incurred by Rand West City Local Municipality in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

#### Operating leases - Rand West City Local Municipality lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.17 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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### 1.17 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.18 Value added tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

### 1.19 Financial sustainability

Statutory receivables are receivables that:

- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non exchange transaction, using GRAP 23;

if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:

- the definition of an asset is met; and
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

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### 1.19 Financial sustainability (continued)

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment. If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows discounted if the effect of discounting is material using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality: derecognises the receivable; recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

### 1.20 Employee benefits

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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### 1.20 Employee benefits (continued)

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

#### 1.20.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Rand West City Local Municipality has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

#### 1.20.2 Defined contribution pension plan and defined benefit pension plans

Rand West City Local Municipality contributes to defined contribution pension plans and defined benefit pension plans for its employees. These plans are generally funded through payments to trustee-administered funds as determined by annual actuarial calculations.

#### 1.20.3 Retirement benefits

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### 1.20 Employee benefits (continued)

Defined contribution plans are post-employment benefit plans under which Rand West City Local Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

#### 1.20.4 Defined benefit plans - Post-retirement health care benefits

Rand West City Local Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

#### 1.20.5 Other long term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Rand West City Local Municipality provides the following additional payments to employees based on certain criteria:

##### Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement) of the employee multiplied by the number of years that the employee was not allowed to contribute retirement benefit plans.

##### Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Rand West City Local Municipality's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation.

The present value of the obligation is recognised on the Statement of Financial Position.

### 1.21 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Rand West City Local Municipality recognises provisions when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

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### 1.21 Provisions and contingencies (continued)

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

### 1.22 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Rand West City Local Municipality's policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually.

Subsequent changes in the obligation are to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset does not exceed its carrying amount. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Where the adjustment results in an addition to the cost of an asset, Rand West City Local Municipality evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Rand West City Local Municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy.

Any unwinding of discount is charged to the statement of financial performance. The discount rate has not been risk adjusted.

### 1.23 Contingent liabilities

A contingent liability is:

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the municipality; or

A present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Rand West City Local Municipality does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annually Rand West City Local Municipality evaluates the possibility of the outflow of resources or service potential.

### 1.24 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Rand West City Local Municipality.

Rand West City Local Municipality does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

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### 1.24 Contingent assets (continued)

Rand West City Local Municipality continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

### 1.25 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.26 Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Rand West City Local Municipality, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Rand West City Local Municipality and the purchaser or user of the asset or service.

Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.
- The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.
- Rand West City Local Municipality derives revenue from exchange and non-exchange transactions.

#### 1.26.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

#### Rendering of services

Rand West City Local Municipality recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, that is, when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.



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### 1.26 Revenue (continued)

- It is probable that the economic benefits or service potential associated with the transaction will flow to Rand West City Local Municipality.

- The stage of completion of the transaction at the reporting date can be measured reliably.

- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

- When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.

- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

- The amount of revenue can be measured reliably.

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Tariffs (Services):

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in the billing period.

An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of each reporting period. Residential sanitation service charges is based on taking 30kl of water consumption and multiply by applicable tariff for financial period. Business sanitation service charges is based on taking the twelve months water consumption multiply by the applicable. Basic Sewerages is based on taking the area size of the property multiply by the applicable tariff.

Service charges relating to refuse removal are recognised on a monthly basis based on 240l bins collected on a weekly basis.

#### Prepaid electricity:

Revenue from the sale of prepaid electricity is recognised at the point of sale less unused electricity at the end of the financial period.

#### Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### Interest revenue

Interest earned on: Investments are recognised on a time proportionate basis that takes into account the effective yield on the investments. Outstanding debtors are recognised on a time proportionate basis.

#### Rental of facilities and equipment

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### 1.26 Revenue (continued)

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff and includes the issuing of licences and permits.

#### Dividends

Dividends are recognised when the municipality's right to receive payment is established.

#### 1.26.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where Rand West City Local Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Collection charges are recognised when such amounts are legally enforceable and billed. Penalty interest on unpaid rates is recognised on a time proportion basis. A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

#### Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

#### Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any early settlement discounts that are likely to be taken up by motorists. Interest is not levied on overdue amounts.

Subsequently, Rand West City Local Municipality evaluates the recoverability of these fines to determine the recoverable amount. This takes into account settlement discounts, reductions in the amount payable are offered, past history in terms of the successful prosecution and recovery of the fines.

#### Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

#### Services in-kind

Rand West City Local Municipality does not recognise services in-kind as assets or revenue.

### 1.27 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs are capitalised over the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings Rand West City Local Municipality capitalises borrowing costs commences when:

- borrowing costs have been incurred;

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### 1.27 Borrowing costs (continued)

- expenditure has been incurred; and

It undertakes activities that are necessary to prepare the asset for its intended use or sale.

Where Rand West City Local Municipality applies general borrowed funds to obtain a qualifying asset, Rand West City Local Municipality applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Rand West City Local Municipality suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Rand West City Local Municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

### 1.28 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the financial period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

Should council approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Rand West City Local Municipality's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

### 1.29 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the financial period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.30 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the financial period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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### 1.31 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial period are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

### 1.32 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.33 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

### 1.34 Related parties

Rand West City Local Municipality regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Rand West City Local Municipality is part of Government of South Africa, it is a separate sphere of government. As such the other spheres of government are not considered related parties to Rand West City Local Municipality. Management is regarded as a related party.

Management of Rand West City Local Municipality comprises of all political office bearers of Rand West City Local Municipality and the Executive Management team. Political office bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other councillors. The executive management team consists of the Municipal Manager, Chief Financial Officer, Chief Operating Officer and other Executive Managers.

### 1.35 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.36 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short term, highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

# Rand West City Local Municipality

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## Accounting Policies

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### 1.36 Cash and cash equivalents (continued)

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as current assets. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

### 1.37 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they are occurred. however, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

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# Rand West City Local Municipality

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	This impact is not material
• GRAP 20: Related parties	01 April 2017	This impact is not material
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	This impact is not material
• GRAP 109: Accounting by Principals and Agents	01 April 2017	This impact is not material
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	This impact is not material
• GRAP 18: Segment Reporting	01 April 2017	This impact is not material

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# Rand West City Local Municipality

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### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	12 657 588
Short-term deposits	115 631 906
	<b>128 289 494</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2017	Cash book balances 30 June 2017
ABSA - Current account (Primary) - 4080906149	5 829 738	6 189 039
ABSA - Prepaid account - 4080906262	915 948	915 948
ABSA - Traffic account - 4080906319 and 9069541719	3 712 322	4 004 419
ABSA - Traffic fines account - 4080906335	462 893	475 042
ABSA - Consumers account - 4082132336 and 4077044996	1 426 201	1 073 141
Investec - Call account	115 106 108	115 106 108
ABSA - Call account - 9295235598	2 173	2 176
FNB - Investment account - 71038605740	29 209	29 209
FNB - Investment account - 71038284304	63 542	63 542
FNB - Investment account - 71038284297	128 993	128 993
NEDCOR - Investment account - 11812875	57 805	57 805
NEDBANK - Investment account - 11987622	110 990	110 990
NEDBANK - Investment account - 19770842	62 941	62 941
STANDARD Bank - Investment account - 28633016	64 012	64 012
STANDARD Bank - Investment account - 328634174	6 129	6 129
<b>Total</b>	<b>127 979 004</b>	<b>128 289 494</b>

### Cash and Cash Equivalents acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Bank balances	13 350 301	1 512 573	14 862 874
Short-term deposits	76 251 516	475 498	76 727 014
Cash on hand	-	39 571	39 571
Bank overdraft	-	(10 600 324)	(10 600 324)
	<b>89 601 817</b>	<b>(8 572 682)</b>	<b>81 029 135</b>

# Rand West City Local Municipality

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Financial Statements for the financial period ended 30 June 2017

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### 4. Receivables from exchange transactions

#### Gross balances

Electricity	99 653 737
Water	86 953 316
Sewerage	30 604 344
Refuse	34 895 650
VAT	34 584 871
Other (Rental, interest, reconnection fees)	133 897 275

**420 589 193**

#### Less: Allowance for impairment

Electricity	(67 720 544)
Water	(56 473 612)
Sewerage	(27 163 510)
Refuse	(33 226 298)
VAT	(31 837 140)
Other (Rental, interest, reconnection fees)	(66 040 246)

**(282 461 350)**

#### Net balance

Electricity	31 933 193
Water	30 479 704
Sewerage	3 440 834
Refuse	1 669 352
VAT	2 747 731
Other (Rental, interest, reconnection fees)	67 857 029

**138 127 843**

#### Electricity

Current (0 -30 days)	47 532 138
31 - 60 days	7 755 601
61 - 90 days	3 548 651
91 - 120 days	3 981 318
121 - 365 days	18 464 612
> 365 days	18 371 417
Less: Allowance for impairment	(67 720 544)

**31 933 193**

#### Water

Current (0 -30 days)	41 747 112
31 - 60 days	9 163 914
61 - 90 days	5 262 011
91 - 120 days	2 228 536
121 - 365 days	10 811 432
> 365 days	17 740 311
Less: Allowance for impairment	(56 473 612)

**30 479 704**

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### 4. Receivables from exchange transactions (continued)

#### Sewerage

Current (0 -30 days)	5 241 608
31 - 60 days	1 678 398
61 - 90 days	1 445 513
91 - 120 days	1 337 406
121 - 365 days	7 266 950
> 365 days	13 634 469
Less: Allowance for impairment	(27 163 510)
	<b>3 440 834</b>

#### Refuse

Current (0 -30 days)	4 333 624
31 - 60 days	2 210 998
61 - 90 days	1 966 450
91 - 120 days	1 820 034
121 - 365 days	9 527 747
> 365 days	15 036 797
Less: Allowance for impairment	(33 226 298)
	<b>1 669 352</b>

#### VAT

Current (0 -30 days)	7 390 987
31 - 60 days	2 967 707
61 - 90 days	1 756 537
91 - 120 days	1 373 703
121 - 365 days	8 824 106
> 365 days	12 271 831
Less: Allowance for impairment	(31 837 140)
	<b>2 747 731</b>

#### Other (Rental, interest, reconnection fees)

Current (0 -30 days)	75 529 516
31 - 60 days	2 205 033
61 - 90 days	4 930 727
91 - 120 days	1 905 147
121 - 365 days	9 699 988
> 365 days	39 626 863
Less: Allowance for impairment	(66 040 245)
	<b>67 857 029</b>

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### 4. Receivables from exchange transactions (continued)

#### Summary of debtors by customer classification

##### Consumers

Current (0 -30 days)	139 066 121
31 - 60 days	15 060 596
61 - 90 days	10 119 100
91 - 120 days	7 469 084
121 - 365 days	42 135 884
> 365 days	82 983 273
	<hr/>
	296 834 058
Less: Allowance for impairment	(174 677 145)
	<hr/>
	<b>122 156 913</b>

##### Industrial/ commercial

Current (0 -30 days)	39 738 522
31 - 60 days	9 825 770
61 - 90 days	7 707 196
91 - 120 days	4 185 643
121 - 365 days	15 840 384
> 365 days	17 014 812
	<hr/>
	94 312 327
Less: Allowance for impairment	(80 857 823)
	<hr/>
	<b>13 454 504</b>

##### National and provincial government

Current (0 -30 days)	2 970 343
31 - 60 days	1 095 286
61 - 90 days	1 083 592
91 - 120 days	991 416
121 - 365 days	6 618 566
> 365 days	16 683 604
	<hr/>
	29 442 807
Less: Allowance for impairment	(26 926 382)
	<hr/>
	<b>2 516 425</b>

##### Total

Current (0 -30 days)	181 774 986
31 - 60 days	25 981 652
61 - 90 days	18 909 889
91 - 120 days	12 646 143
121 - 365 days	64 594 834
> 365 days	116 681 689
	<hr/>
	420 589 193
Less: Allowance for impairment	(282 461 350)
	<hr/>
	<b>138 127 843</b>

##### Reconciliation of allowance for impairment

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	(286 092 615)
Contributions to allowance	(81 033 177)
Debt impairment written off against allowance	84 664 442
	<hr/>
	<b>(282 461 350)</b>

# Rand West City Local Municipality

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Financial Statements for the financial period ended 30 June 2017

## Notes to the Financial Statements

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### 4. Receivables from exchange transactions (continued)

#### Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for liabilities.

#### Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

#### Receivables from exchange transactions impaired

As of 30 June 2017, receivables from exchange transactions of R 420 589 193 were impaired and provided for.

The amount of the allowance for impairment was R 282 461 350 as of 30 June 2017.

Rand West City Local Municipality has not discounted receivables from exchange transactions due to the fact that from 01 July 2017 all consumers will be charged interest for outstanding receivables.

#### Receivables from exchange transactions acquired by Rand West City Local Municipality on 04 August 2016

	<b>Randfontein Local Municipality</b>	<b>Westonaria Local Municipality</b>	<b>Total</b>
<b>Gross balances</b>			
Electricity	51 299 817	55 671 456	106 971 273
Water	31 079 156	42 413 620	73 492 776
Sewerage	11 421 196	16 526 831	27 948 027
Refuse	10 208 724	20 234 039	30 442 763
VAT	17 344 761	-	17 344 761
Housing rental	-	329 216	329 216
Other (Rental, interest, reconnection fees)	67 456 531	38 372 745	105 829 276
<b>Less: Allowance for impairment</b>			
Electricity	(24 565 805)	(46 508 743)	(71 074 548)
Water	(19 863 047)	(33 704 753)	(53 567 800)
Sewerage	(8 896 664)	(15 840 132)	(24 736 796)
Refuse	(7 494 611)	(19 393 304)	(26 887 915)
VAT	(13 463 924)	-	(13 463 924)
Housing rental	-	(316 705)	(316 705)
Other (Rental, interest, reconnection fees)	(56 109 024)	(39 935 903)	(96 044 927)
	<b>58 417 110</b>	<b>17 848 367</b>	<b>76 265 477</b>

In the former Westonaria Local Municipality, VAT was included in Other receivables from exchange transactions and in former Randfontein Local Municipality Housing rental was included in Other receivables from exchange transactions.

# Rand West City Local Municipality

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Financial Statements for the financial period ended 30 June 2017

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### 5. Receivables from non-exchange transactions

Property rates	10 551 692
Fines	1 880 186
Trust funds held by Thaanyane Attorneys	3 153 835
Department of Health	2 777 558
Sundry debtors	161 607
	<b>18 524 878</b>

#### Property rates

The ageing of receivables in respect of Property rates is as follows:

Current (0 - 30 days)	12 479 794
31 - 60 days	3 110 803
61 - 90 days	2 597 333
91 - 120 days	2 304 653
121 - 365 days	13 102 217
> 365 days	49 349 793
Less: Allowance for impairment	(72 392 901)
	<b>10 551 692</b>

#### Summary by customer classification

##### Consumers:

Current (0 - 30 days)	7 072 844
31 - 60 days	2 406 951
61 - 90 days	2 097 591
91 - 120 days	1 889 452
121 - 365 days	10 883 390
> 365 days	34 040 348
Less: Allowance for impairment	(54 534 813)
	<b>3 855 763</b>

##### Industrial and business

Current (0 - 30 days)	5 334 433
31 - 60 days	651 417
61 - 90 days	455 105
91 - 120 days	375 467
121 - 365 days	2 047 709
> 365 days	12 935 600
Less: Allowance for impairment	(17 715 717)
	<b>4 084 014</b>

##### National and provincial government

Current (0 - 30 days)	72 517
31 - 60 days	52 434
61 - 90 days	44 637
91 - 120 days	39 735
121 - 365 days	171 118
> 365 days	2 373 845
Less: Allowance for impairment	(142 371)
	<b>2 611 915</b>

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### 5. Receivables from non-exchange transactions (continued)

#### Reconciliation of allowance for impairment

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	(477 168 748)
Reversal of the mines allowance for impairment prior to merger	378 739 507
Decrease in allowance for impairment	26 036 340
	<b>(72 392 901)</b>

#### Traffic fines

##### Reconciliation of gross balances to net balances

Receivables from traffic fines	63 913 881
Less: Allowance for impairment	(62 033 695)
	<b>1 880 186</b>

##### Reconciliation of allowance for impairment

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	(49 263 973)
Contributions to allowance	(12 769 722)
	<b>(62 033 695)</b>

#### Department of health

##### Reconciliation of gross balances to net balances

Department of health	3 055 314
Less: Allowance for impairment	(277 756)
	<b>2 777 558</b>

##### Reconciliation of allowance for impairment

Contributions to allowance	(277 756)
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#### Sundry debtors

##### Reconciliation of gross balances to net balances

Receivables from Sundry debtors	19 752 228
Less: Allowance for impairment	(19 590 621)
	<b>161 607</b>

##### Reconciliation of allowance for impairment

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	(11 398 095)
Contributions to allowance	(8 192 526)
	<b>(19 590 621)</b>

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Financial Statements for the financial period ended 30 June 2017

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### 5. Receivables from non-exchange transactions (continued)

#### Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security for liabilities.

#### Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

#### Receivables from non-exchange transactions past due but not impaired

At 30 June 2017 no receivables from non-exchange transactions were past due but not impaired.

#### Receivables from non-exchange transactions impaired

As of 30 June 2017, receivables from non-exchange transactions of R 18 779 078 were impaired and provided for.

The amount of the provision was R 72 392 901 for property rates, R 62 033 695 for traffic fines was and R 19 590 621 for sundry debtors as of 30 June 2017.

Rand West City Local Municipality has not discounted property rates receivables due to the fact that from 01 July 2017 all consumers will be charged interest for outstanding receivables.

#### Receivables from non-exchange transactions acquired by Rand West City Local Municipality on 04 August 2016

##### Gross balances

	<b>Randfontein Local Municipality</b>	<b>Westonaria Local Municipality</b>	<b>Total</b>
Property rates	93 938 317	432 349 009	526 287 326
Traffic fines	23 190 231	28 781 094	51 971 325
Trust funds held by Thaanyane Attorneys	3 153 835	-	3 153 835
Department of Health	3 055 314	-	3 055 314
Other / Sundry receivables	664 549	12 462 392	13 126 941
Less: Allowance for impairment			
Property rates	(65 155 014)	(412 013 734)	(477 168 748)
Traffic fines	(22 033 197)	(27 230 775)	(49 263 972)
Sundry receivables	-	(11 398 095)	(11 398 095)
	<b>36 814 035</b>	<b>22 949 891</b>	<b>59 763 926</b>

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Financial Statements for the financial period ended 30 June 2017

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### 6. Prepayments

Suppliers paid in advance

227 671

#### Prepayments acquired by Rand West City Local Municipality on 04 August 2016

Suppliers paid in advance  
Insurance paid in advance

Randfontein Local Municipality	Westonaria Local Municipality	Total
253 110	-	253 110
349 464	-	349 464
<b>602 574</b>	<b>-</b>	<b>602 574</b>

### 7. Inventories

Consumable stores  
Water

3 291 657  
555 282

**3 846 939**

#### Inventory pledged as security

No inventory was pledged as security for facilities

#### Inventories acquired by Rand West City Local Municipality on 04 August 2016

Consumable stores  
Water

Randfontein Local Municipality	Westonaria Local Municipality	Total
3 147 640	1 013 399	4 161 039
259 764	385 154	644 918
<b>3 407 404</b>	<b>1 398 553</b>	<b>4 805 957</b>

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# Rand West City Local Municipality

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Financial Statements for the financial period ended 30 June 2017

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### 8. Long term receivables

Consumer receivables with long term arrangements	2 688 699
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#### Reconciliation of gross balances to net balances

Long term receivables	12 682 718
Allowance for impairment	(9 994 019)
	<b>2 688 699</b>

#### Reconciliation of allowance for impairment

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	(13 909 387)
Decrease in allowance for impairment	3 915 367
	<b>(9 994 020)</b>

Non current portion	1 257 272
Current portion	1 431 427
	<b>2 688 699</b>

#### Long term receivables

Longterm receivables are consumers who enter into an arrangement to pay off their debts over an agreed period of time as per the approved credit control policy. All long term receivables that are past due were considered to be impaired. At 30 June 2017 all long term receivables that were past due were impaired.

#### Long term receivables pledged as security

No long term receivables were pledged as security for liabilities.

#### Long term receivables impaired,

At 30 June 2017, long term receivables of R 12 682 718 were impaired and provided for.

The amount of the provision was R 9 994 019.

#### Long term receivables acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
<b>Gross balance</b>			
Consumer receivables with long term arrangements	17 291 910	-	17 291 910
Less: Allowance for impairment	(13 909 387)	-	(13 909 387)
	<b>3 382 523</b>	<b>-</b>	<b>3 382 523</b>



# Rand West City Local Municipality

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Financial Statements for the financial period ended 30 June 2017

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### 9. Investments

#### At amortised cost

Bonds investment	12 231 316
The above is a zero coupon bond investment held with Stanlib for a period of 20 years from 2 July 1998.	

#### Non-current assets

At amortised cost	12 231 316
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#### Investments pledged as collateral

##### Collateral

Carrying value of financial assets pledged as collateral for liabilities or contingent liabilities	3 987 890
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The above investment has been pledged as security for borrowings with a carrying amount of R 3 987 890. Refer to note 21.

#### Investments acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Bonds investment	11 663 653	-	11 663 653

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# Rand West City Local Municipality

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### 10. Biological assets that form part of an agricultural activity

	2017		
	Cost / Valuation	Accumulated impairment	Carrying value
Dairy cattle	629 337	-	629 337

### Reconciliation of biological assets that form part of an agricultural activity - 04 August 2016 to 30 June 2017

	Opening balance after the merger of Randfontein and Westonaria Local Municipalities	Losses arising from changes in fair value	Total
Dairy cattle	662 279	(32 942)	629 337
<b>Mature biological assets</b>			
Dairy cattle			105
<b>Immature biological assets</b>			
Cows in production			33
Cows not in production			30
Heifers			28
Calves			13
Bulls			1
			<b>105</b>

### Pledged as security

No biological assets were pledged as security for liabilities.

### Details of valuation

The effective date of the valuations was 30 June 2017. Valuations were performed by an independent valuer, Mr Hendrix Nel. Mr Hendrik Nel is not connected to the municipality and has recent experience in the valuation of biological assets.

The valuation was based on open market values.

### Details of Biological assets

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### Biological assets that form part of an agricultural activity acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Dairy cattle	662 279	-	662 279

# Rand West City Local Municipality

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### 11. Investment property

	2017		
	Cost / Valuation	Accumulated impairment	Carrying value
Investment property	256 280 371	-	256 280 371

### Reconciliation of investment property - 04 August 2016 to 30 June 2017

	Opening balance after the merger of Randfontein and Westonaria Local Municipalities*	Adjustments of opening balances*	Reclassify investment property	Investment property derecognised	Fair value adjustments	Total
Investment property	268 692 069	9 911 600	(28 385 644)	(2 790 285)	8 852 631	256 280 371

### Pledged as security

No investment property was pledged as security for liabilities.

### Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### Details of valuation

The effective date of the revaluations was 30 June 2017. Valuations were performed by an independent valuer, Mr Zack van der Merwe (registered with South Africa Council for the Property Valuer Profession (SACPVP) as a professional valuer and also a member of the South African Institute of Valuers). Mr Zack van der Merwe is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

### Investment property acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Investment property	154 004 131	114 687 938	268 692 069

# Rand West City Local Municipality

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Financial Statements for the financial period ended 30 June 2017

## Notes to the Financial Statements

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### 12. Property, plant and equipment

	2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	851 892 791	(24 019 920)	827 872 871
Buildings	198 028 533	(151 708 137)	46 320 396
Infrastructure	5 058 914 151	(2 914 267 267)	2 144 646 884
Community	535 917 832	(305 849 395)	230 068 437
Leased assets	23 939 428	(15 268 716)	8 670 712
Capital work in progress	211 401 280	-	211 401 280
Library books	24 708 371	(14 219 343)	10 489 028
Other property, plant and equipment	144 790 934	(86 553 578)	58 237 356
<b>Total</b>	<b>7 049 593 320</b>	<b>(3 511 886 356)</b>	<b>3 537 706 964</b>

# Rand West City Local Municipality

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### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 04 August 2016 to 30 June 2017

	Opening balance after the merger of Randfontein and Westonaria Local Municipalities	Adjustments of opening balances*	Reclassify assets	Additions	WIP Capitalised	Donations	Landfill site valuations	Assets derecognised	Depreciation	Impairment loss/reversal	Total
Land	826 041 431	(2 509 349)	28 360 709	-	-	-	-	-	-	(24 019 920)	827 872 871
Buildings	49 947 507	791 406	(143 011)	-	94 920	-	-	(31 819)	(4 334 382)	(4 225)	46 320 396
Infrastructure	2 063 012 663	1 829 127	68 817 293	3 418 861	80 238 676	17 771 303	23 576 799	(5 549 268)	(108 740 922)	272 352	2 144 646 884
Community	346 048 461	(13 721 238)	(68 674 282)	-	10 753 251	10 554 428	-	(1 237 792)	(15 109 182)	(38 545 209)	230 068 437
Leased assets	15 869 020	-	-	-	-	-	-	-	(7 198 308)	-	8 670 712
Capital work in progress	93 573 492	(2 438 666)	(1 157 753)	212 511 054	(91 086 847)	-	-	-	-	-	211 401 280
Library books	9 943 366	-	-	2 961 057	-	-	-	-	(2 415 395)	-	10 489 028
Other property, plant and equipment	57 860 159	1 654 375	1 157 753	8 102 614	-	-	-	(159 151)	(10 378 394)	-	58 237 356
	<b>3 462 296 099</b>	<b>(14 394 345)</b>	<b>28 360 709</b>	<b>226 993 586</b>	<b>-</b>	<b>28 325 731</b>	<b>23 576 799</b>	<b>(6 978 030)</b>	<b>(148 176 583)</b>	<b>(62 297 002)</b>	<b>3 537 706 964</b>

#### Pledged as security

No property, plant and equipment were pledged as security for liabilities.

#### Assets subject to finance lease (Net carrying amount)

Leased assets - Motor vehicles and compactors

8 670 712

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Rand West City Local Municipality

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### 12. Property, plant and equipment (continued)

#### Property, plant and equipment reclassified during the financial period

Investment property	28 385 644
Intangible assets	(24 935)
	<b>28 360 709</b>

#### Property, plant and equipment acquired by Rand West City Local Municipality on 04 August 2016

Cost / Valuation	Randfontein Local Municipality	Westonaria Local Municipality	Total
Land	590 014 889	236 026 542	826 041 431
Buildings	108 334 060	87 247 428	195 581 488
Infrastructure	3 068 070 706	1 747 044 232	4 815 114 938
Community	378 180 844	307 419 853	685 600 697
Leased assets	23 915 178	-	23 915 178
Capital work in progress	73 407 116	20 166 376	93 573 492
Library books	12 739 554	9 007 760	21 747 314
Other property, plant and equipment	98 660 049	36 474 175	135 134 224
Less: Accumulated depreciation and accumulated impairment			
Buildings	(81 228 976)	(64 405 005)	(145 633 981)
Infrastructure	(1 777 691 559)	(974 410 716)	(2 752 102 275)
Community	(216 947 436)	(122 604 800)	(339 552 236)
Leased assets	(8 046 158)	-	(8 046 158)
Library books	(6 917 911)	(4 886 037)	(11 803 948)
Other property, plant and equipment	(56 520 544)	(20 753 521)	(77 274 065)
	<b>2 205 969 812</b>	<b>1 256 326 287</b>	<b>3 462 296 099</b>

In the former Westonaria Local Municipality, capital work in progress was disclosed as a separate line item in the Statement of Financial Position.

Some Property, plant and equipment in former Westonaria Local Municipality were consolidated when assets were transferred to Rand West City Local Municipality as follows:

- Buildings and housing were consolidated to buildings.
- Electricity network, roads and stormwater network, sanitation network, water network and capital spares were consolidated to Infrastructure.
- Community assets and sports and recreational facilities were consolidated to Community.
- Furniture and fixtures, IT equipment and motor vehicles were consolidated to Other property, plant and equipment.

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### 13. Intangible assets

	2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	6 136 246	-	6 136 246
Computer software	4 246 959	(3 563 877)	683 082
<b>Total</b>	<b>10 383 205</b>	<b>(3 563 877)</b>	<b>6 819 328</b>

### Reconciliation of intangible assets - 04 August 2016 to 30 June 2017

	Opening balance after the merger of Randfontein and Westonaria Local Municipalities*	Reclassify intangible assets	Additions	Amortisation	Total
Servitudes	6 111 311	24 935	-	-	6 136 246
Computer software	168 026	-	805 840	(290 784)	683 082
	<b>6 279 337</b>	<b>24 935</b>	<b>805 840</b>	<b>(290 784)</b>	<b>6 819 328</b>

### Pledged as security

No intangible assets were pledged as security for liabilities.

### Details of intangible assets

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### Intangible assets acquired by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
<b>Cost / Valuation</b>			
Servitudes	4 477 996	1 633 315	6 111 311
Computer software	3 065 724	375 395	3 441 119
Less: Accumulated amortisation and accumulated impairment			
Computer software	(2 972 373)	(300 720)	(3 273 093)
	<b>4 571 347</b>	<b>1 707 990</b>	<b>6 279 337</b>

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### 14. Heritage assets

Paintings and other artifacts

2017		
Cost / Valuation	Accumulated impairment losses	Carrying value
4 232 263	-	4 232 263

### Reconciliation of heritage assets 04 August 2016 to 30 June 2017

Paintings and other artifacts

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	Total
4 232 263	4 232 263

### Pledged as security

No heritage assets were pledged as security for liabilities:

### Revaluations

#### Paintings and other artifacts

The effective date of the revaluation was 6/30/2015. Revaluations were performed by independent valuer, Mr A. Inggs.

Mrs A. Inggs is not connected to the municipality and has recent experience in the valuation of heritage assets. The valuation was based on open market value.

The revaluation will be performed every five years.

### Details of Heritage assets

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### Heritage assets acquired by Rand West City Local Municipality on 04 August 2016

Paintings and other artifacts

Randfontein Local Municipality	Westonaria Local Municipality	Total
4 232 263	-	4 232 263



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### 15. Payables from exchange transactions

Trade payables	412 993 857
Retention monies payable	20 695 644
Payroll accruals	24 436 114
Accrued leave	20 864 521
Accrued bonus (13th cheque)	10 551 313
Accrued performance bonuses	3 107 131
Payments received in advance	6 986 335
Consumer debtors with credit balances	44 538 663
	<b>544 173 578</b>

Included in the consumer debtors with credit balances in the mines the Municipality currently owes due to the reversal of the property rates billed to them.

### Payables from exchange transactions assumed by Rand West City Local Municipality on 04 August 2016

	<b>Randfontein Local Municipality</b>	<b>Westonaria Local Municipality</b>	<b>Total</b>
Trade payables	247 569 563	25 194 651	272 764 214
Payments received in advanced	4 792 115	531 740	5 323 855
Retention monies payable	9 609 684	8 098 539	17 708 223
Stores creditors	614 598	-	614 598
Accrued leave pay	11 780 075	7 275 635	19 055 710
Accrued bonus (13th cheque)	5 806 795	3 243 803	9 050 598
Payroll accruals	6 933 576	7 708 631	14 642 207
Consumer debtors with credit balances	18 834 136	-	18 834 136
Accrued expense (invoices not paid)	-	27 480 212	27 480 212
Other deposits	-	31 951	31 951
Operating lease liability	-	213 292	213 292
	<b>305 940 542</b>	<b>79 778 454</b>	<b>385 718 996</b>

In the former Westonaria Local Municipality, accrued bonus and leave was included in provisions and payments received in advance was disclosed separately as deferred income.

### 16. Payables from non-exchange transactions

Sundry debtors with credit balances	7 535 744
Unallocated receipts	7 286 442
	<b>14 822 186</b>

The above relates to sundry debtors with credit balances and unknown direct deposits made into the Municipality's bank account.

### Payables from non-exchange assumed by Rand West City Local Municipality on 04 August 2016

	<b>Randfontein Local Municipality</b>	<b>Westonaria Local Municipality</b>	<b>Total</b>
Unallocated receipts	13 157 586	498 441	13 656 027

In the former Westonaria Local Municipality, unallocated receipts was included in payables from exchange transactions.

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### 17. VAT payable

VAT	69 646 019
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See note 47 for contingent asset.

### VAT payable assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
VAT	71 295 429	20 999 021	92 294 450

### 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant	7 422 324
Gauteng Department of Sports, Recreation, Arts and Culture Grant	865 688
Human Settlements Grant	25 143 709
Gauteng Department of Social Development Grant	8 462 946
Public Contribution	3 990 216
	<b>45 884 883</b>

See note 32 for reconciliation of grants from National/Provincial Government.

### Unspent conditional grants and receipts assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Human Settlements Grant	31 248 700	-	31 248 700
Gauteng Department of Sports, Recreation, Arts and Culture Grant	5 303 837	5 968 563	11 272 400
Gauteng Department of Social Development Grant	9 576 293	-	9 576 293
Public contribution	3 990 216	-	3 990 216
Municipal Demarcation Transition Grant	2 208 936	1 943 000	4 151 936
Integrated national electrification programme	-	5 788 914	5 788 914
Expanded Public Works Programme	-	582 229	582 229
	<b>52 327 982</b>	<b>14 282 706</b>	<b>66 610 688</b>

In the former Westonaria Local Municipality, the Integrated National Electrification Programme unspent conditional grant disclosed as R 12 339 706 included unspent conditional grants of Gauteng Department of Sports, Recreation, Arts and Culture Grant and Expanded Public Works Programme amounting to R 5 968 563 and R 582 229 respectively.

### 19. Consumer deposits

Electricity and water	42 317 453
Municipal halls and sports complex	31 951
	<b>42 349 404</b>

### Consumer deposits assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Electricity and water	36 041 304	3 523 652	39 564 956

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### 20. Finance lease obligation

#### Minimum lease payments due

- within one year	9 706 060
- in second to fifth year inclusive	918 529

10 624 589

less: future finance charges

(575 519)

#### Present value of minimum lease payments

**10 049 070**

#### Present value of minimum lease payments due

- within one year	9 139 884
- in second to fifth year inclusive	909 186

**10 049 070**

Non-current liabilities

909 186

Current liabilities

9 139 884

**10 049 070**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was three years and the effective borrowing rate was 9.50% which was the prime lending rate on 29 July 2015 which is the date on which the finance lease commenced.

Interest rates are fixed at the contract date. All leases escalate at 6% p.a and include additional charges for contingent rent based on excess kilometres travelled..

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

#### Finance lease obligation assumed by Rand West City Local Municipality on 04 August 2016

Randfontein Local Municipality	Westonaria Local Municipality	Total
17 273 597	-	17 273 597

Present value of minimum lease payments

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### 21. Borrowings

#### At amortised cost

Development Bank of Southern Africa (DBSA) loan 3 987 890  
Interest rate on the loan is fixed at 15.5% per annum compounded semi annually. The loan period is 20 years. The loan is secured by investments with a carrying amount of R 12 231 316. Refer to note 9

Standard Bank loan 1 429 615  
Interest rate on the loan is fixed at 9.85% per annum compounded monthly. The loan period is 7 years.

INCA West 899 727  
There are two loans with this institution and the interest rates on the loans are fixed at 11.11% and 13.36% per annum compounded semi annually. The loan periods are 10 years.

**Total borrowings** **6 317 232**

#### Non-current liabilities

At amortised cost 1 428 712

#### Current liabilities

At amortised cost 4 888 520

#### Borrowings assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Development Bank of Southern Africa (DBSA) loan	6 193 294	411 536	6 604 830
Standard Bank loan	-	4 420 353	4 420 353
INCA West	-	2 151 495	2 151 495
	<b>6 193 294</b>	<b>6 983 384</b>	<b>13 176 678</b>

In the former Westonaria Local Municipality, borrowings were disclosed as long term loans and the amount was consolidated as annuity loans amounting to R 6 983 384.

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### 22. Provisions

#### Reconciliation of provisions - 04 August 2016 - 30 June 2017

	Opening balance after the merger of Randfontein and Westonaria Local Municipalities	Additions	Change in discount factor	Total
Environmental rehabilitation	102 247 610	23 576 799	3 795 975	129 620 384
Performance bonuses	1 520 561	1 472 849	-	2 993 410
	<b>103 768 171</b>	<b>25 049 648</b>	<b>3 795 975</b>	<b>132 613 794</b>
Non-current liabilities				129 620 384
Current liabilities				2 993 410
				<b>132 613 794</b>

#### Environmental rehabilitation provision

The valuation was performed by Seakle Godschalk who is a professional environmental scientist from CSS Environment and sustainability solutions CC who holds a qualification in Master's degree in Science and Masters degree in Accounting. Seakle Godschalk is an independent valuer and is registered with South African Council for Natural Scientific Professions as well as with the South African Institute of Ecologists and Environmental Scientists.

#### Performance bonuses

The calculated provision for performance bonus was done using a rate of 14% of the total package. The provision for performance bonus is categorised as a provision based on the fact that the performance bonus will only be paid once an employee has met a performance condition. Therefore it is uncertain whether all the employees who are qualifying for a performance bonus will meet the performance bonus. In addition the bonus has to be approved by the Council. Only section 56 employees have been provided for in the current financial period.

#### Provisions assumed by Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Environmental rehabilitation	40 162 955	62 084 655	102 247 610
Performance bonus	-	1 520 561	1 520 561
	<b>40 162 955</b>	<b>63 605 216</b>	<b>103 768 171</b>

In the former Westonaria Local Municipality, Provisions included accrued bonus (disclosed as service bonus) and accrued leave (disclosed as Leave pay) amounting to R 3 243 803 and R 7 275 635 respectively which have been transferred to Rand West City Local Municipality as Payables from exchange transactions.

In the former Randfontein Local Municipality, provision for performance bonus was not provided for as the Municipality had not been paying performance bonuses.

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### 23. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Post retirement medical benefits	(176 569 746)
Long service awards	(23 829 681)
	<b>(200 399 427)</b>

#### Employee benefit obligations assumed by Rand West City Local Municipality on 04 August 2016

	<b>Randfontein Local Municipality</b>	<b>Westonaria Local Municipality</b>	<b>Total</b>
Post retirement medical benefits	(81 104 970)	(90 117 000)	(171 221 970)
Long service awards	(2 970 024)	(11 022 000)	(13 992 024)
	<b>(84 074 994)</b>	<b>(101 139 000)</b>	<b>(185 213 994)</b>

#### Post retirement medical benefits

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death in service or death in retirement, the surviving dependants may continue membership of the medical scheme. Qualifying members receive a post employment subsidy for which the municipality is liable.

The municipality operates an unfunded defined benefit plan for these qualifying employees.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

#### At the valuation date individuals entitled to a post retirement medical aid subsidy were:

In-service (employee) members:	928
In-service (employee) non members:	315
Continuation (retiree and widow) members:	83

The current service costs are estimated at R 9 852 973 for the current financial period ending 30 June 2017

#### Changes in the present value of the defined benefit obligation are as follows:

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	171 221 970
Benefits paid	(3 142 621)
Net expense recognised in the statement of financial performance	8 490 397
	<b>176 569 746</b>

#### Net expense recognised in the statement of financial performance

Current service cost	9 852 973
Interest cost	15 744 619
Actuarial gain	(17 107 195)
	<b>8 490 397</b>

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### 23. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets	9.87 %
Discount rates used	8.16 %
Expected rate of return on assets	1.58 %

The Average retirement age used in years was:

63

#### Long service awards liability

The Municipality offers employees a long service bonus for every completed ten year period of service. The long service awards paid on retirement, resignation or death. The amount payable is reviewed periodically and is assumed to increase in line with expected CPI inflation.

The long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet its liability.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

As at the financial period end, 766 employees were eligible for long service awards. The current service cost for the financial period 30 June 2017 is estimated to be R 1 236 715.

The expected remaining working lifetime of eligible employees is 17.4 years.

#### Key assumptions used at the reporting date:

Discount rates used	8.42 %
Expected inflation	6.24 %
Net effective discount rate	2.05 %

#### Changes in the present value of the long service award obligation are as follows:

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	13 992 024
Benefits paid	(3 208 991)
Net expense recognised in the statement of financial performance	13 046 648
	<b>23 829 681</b>

#### Net expense of the long service awards obligation recognised in the statement of financial performance:

Current service cost	1 236 715
Interest cost	1 274 321
Actuarial losses	10 535 612
	<b>13 046 648</b>

#### Actuarial gains reconciliation

Post retirement medical benefits	17 107 195
Long service awards	(10 535 612)
	<b>6 571 583</b>

# Rand West City Local Municipality

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### 24. Revaluation reserve

Revaluation reserve				1 670 942
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### Revaluation reserve transferred to Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Revaluation reserve	1 670 942	-	1 670 942

### 25. Accumulated surplus

### Accumulated surplus transferred to Rand West City Local Municipality on 04 August 2016

	Randfontein Local Municipality	Westonaria Local Municipality	Total
Carrying amounts of the assets acquired and the liabilities assumed	1 945 190 323	1 115 536 469	3 060 726 792

### 26. Service charges

Sale of electricity	500 490 814
Sale of water	221 881 476
Sewerage and sanitation charges	45 810 426
Refuse removal	52 115 369
	<b>820 298 085</b>

### 27. Rental of facilities and equipment

### Facilities and equipment

Rental of buildings	377 196
Rental of equipment	200 373
Rental of facilities	390 850
Rental of land	82 712
	<b>1 051 131</b>

### 28. Investment revenue

### Interest revenue

Bank	7 740 387
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### 29. Income from agency services

Agency income for collection of licences	20 033 199
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The municipality has an arrangement with the Department of Transport in which it collects licence fees on behalf of the department and receives an agreed fee for the service provided.



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### 30. Other income

Administration fees	4 760 436
Advertising	27 249
Bins sold	227 908
Building plan fees	1 796 162
Burial fees	985 091
Business hives	249 243
Clearance certificates	402 023
Commission earned	229 750
Connection fees	2 038 360
Consent use revenue	13 635
Copies income	335 671
Dividends received	41 039
Effluent income	1 749 011
Entrance fees	2 017
Farming income	287 693
Gymnasium fees	77 472
Insurance claims	4 103 401
Internet and fax income	19 764
Landfill site income	55 768
Membership fees	1 274
Social responsibility income	267 765
Recovery monies	95 366
Staff parking	9 076
Sundry surpluses	68 260
Tender documents	761 800
Town planning	132 150
	<b>18 737 384</b>

### 31. Property rates

#### Rates received

Assessment rates	210 987 808
Less: Income forgone (rebates)	(44 911 272)
	<b>166 076 536</b>

#### Valuations R'000

Agricultural	2 363 356
Business and commercial	3 758 062
Government	477 669
Residential	11 184 612
Vacant land	139 986
	<b>17 923 685</b>

Valuations on land and buildings are performed every 4 years. The last general valuations came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate as approved for in the Property Rates Policy is applied to property valuations to determine assessment rates. Rebates are granted to certain property owners in accordance with the Property Rates Policy.

Rates are calculated on an annual basis, levied monthly and are payable by the 7th day of the following month. Interest as determined by Council is levied on outstanding rates.

The new general valuation will be implemented on 01 July 2019.

# Rand West City Local Municipality

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### 32. Government grants and subsidies

#### Operating grants

Equitable Share	178 749 600
Municipal Infrastructure Grant	3 982 656
Finance Management Grant	2 950 000
Municipal Demarcation Transition Grant	9 979 936
Gauteng Department of Sports, Recreation, Arts and Culture Grant	18 006 712
Leanership Grant	711 734
Skills Development Grant	1 809 902
Expanded Public Works Programme	3 509 229
Gauteng Department of Corporative Governance Grant	13 748 545
Aids District Programme	2 295 680
	<b>235 743 994</b>

#### Capital grants

Municipal Infrastructure Grant	76 093 020
Municipal Water Infrastructure Grant	30 000 000
Gauteng Department of Corporative Governance Grant	16 087 455
Integrated National Electrification Programme	22 788 914
Human Settlements Grant	83 504 991
Infrastructure Skills Development Grant	3 300 000
Gauteng Department of Social Development Grant	1 113 347
	<b>232 887 727</b>
	<b>468 631 721</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents received a subsidy of 100% rebate on property rates and taxes, 100% rebate on refuse and sewer tariffs, 100kW electricity and 10kl water.

#### Municipal Infrastructure Grant

Current financial period receipts	87 498 000
Conditions met - transferred to operating revenue	(3 982 656)
Conditions met - transferred to capital revenue	(76 093 020)
	<b>7 422 324</b>

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprise and social institutions servicing poor communities.

#### Finance Management Grant

Current financial period receipts	2 950 000
Conditions met - transferred to revenue	(2 950 000)
	<b>-</b>

The purpose of this grant is to promote and support reforms in financial management by building capacity in the municipality to implement the municipal finance management act (MFMA).

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### 32. Government grants and subsidies (continued)

#### Municipal Demarcation Transition Grant

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	4 151 936
Current financial period receipts	5 828 000
Conditions met - transferred to revenue	(9 979 936)
	<u>-</u>

The purpose of this grant is to finance the expenditure in relation to the merger process of Randfontein and Westonaria Local Municipalities.

#### Gauteng Department of Sports, Recreation, Arts and Culture Grant

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	11 272 400
Current financial period receipts	7 600 000
Conditions met - transferred to revenue	(18 006 712)
	<u>865 688</u>

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to support the municipality with the administration of libraries.

#### Leanership Grant

Current financial period receipts	711 734
Conditions met - transferred to revenue	(711 734)
	<u>-</u>

The purpose of the grant is to assist with implementing the learning programme.

#### Skills Development Grant

Current financial period receipts	1 809 902
Conditions met - transferred to revenue	(1 809 902)
	<u>-</u>

The purpose of the grant is to provide skills development within the municipality.

#### Expanded Public Works Programme

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	582 229
Current financial period receipts	2 927 000
Conditions met - transferred to revenue	(3 509 229)
	<u>-</u>

The purpose of the grant is to provide expanded public works programme funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

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### 32. Government grants and subsidies (continued)

#### Gauteng Department of Corporative Governance Grant

Current financial period receipts	29 836 000
Conditions met - transferred to operating revenue	(13 748 545)
Conditions met - transferred to capital revenue	(16 087 455)
	-

The purpose of this grants is to assist the municipality to perform its functions and stabilize institutional and governance systems as required in the Municipal Systems Act and related legislation.

#### Aids District Programme

Current financial period receipts	2 295 680
Conditions met - transferred to revenue	(2 295 680)
	-

The purpose of the grant is to enhance awareness programmes offered communities to prevent and mitigate the impact of HIV/Aids.

#### Municipal Water Infrastructure Grant

Current financial period receipts	30 000 000
Conditions met - transferred to revenue	(30 000 000)
	-

Conditions still to be met - remain liabilities (see note 18).

The purpose of this grant is to supplement the gaps, and focusing on functionality of water infrastructure.

#### Integrated National Electrification Programme

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	5 788 914
Current financial period receipts	17 000 000
Conditions met - transferred to revenue	(22 788 914)
	-

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings.

#### Human Settlements Grant

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	31 248 700
Current financial period receipts	77 400 000
Conditions met - transferred to revenue	(83 504 991)
	25 143 709

Conditions still to be met - remain liabilities (see note 18).

The purpose of this grant is to provide funding for the creation of sustainable human settlements.

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### 32. Government grants and subsidies (continued)

#### Infrastructure Skills Development Grant

Current financial period receipts	3 300 000
Conditions met - transferred to revenue	(3 300 000)
	<u>-</u>

The grants is to be utilised for the infrastructure skills development.

#### Gauteng Department of Social Development Grant

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	9 576 293
Conditions met - transferred to revenue	(1 113 347)
	<u>8 462 946</u>

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to promote social development within the communities.

#### Public Contribution

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	<u>3 990 216</u>
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Conditions still to be met - remain liabilities (see note 18).

The purpose of the public contribution is to assist in minimising infrastructure backlogs.

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# Rand West City Local Municipality

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### 33. Employee related costs

Acting allowances	488 046
Basic	263 014 914
Bonus (13th cheque)	22 150 408
Cellphone allowances	1 237 313
Defined contribution plans	41 754 396
Group insurance	1 685 320
Performance bonuses	4 579 980
Housing benefits and allowances	3 077 588
Leave pay	2 582 425
Medical aid - company contributions	33 346 940
Overtime payments	17 457 824
SDL	4 231 232
Standby allowances	1 894 828
Sundry allowances	1 413 838
Travel allowances	18 221 178
UIF	1 986 027
	<b>419 122 257</b>

Included in the above employee costs is the remuneration of the Municipal Manager and Executive Managers reporting directly to the Municipal Manager which are detailed below.

#### Remuneration of Municipal Manager: See note below

Annual remuneration	755 165
Travel allowance	103 660
Bonus	108 758
Leave paid	197 087
Contributions to UIF	11 379
	<b>1 176 049</b>

The Municipal Manager, Mr T.C. Ndlovu was appointed on 04 August 2016 and resigned on 05 February 2017. His total remuneration paid was R1 080 965. Ms T.M.M Matshego was appointed acting Municipal Manager from 06 February 2017 to 31 May 2017 and was paid an acting allowance of R 65 242. Mr. T. Goba was appointed to be the Municipal Manager from 01 June 2017 and received a total remuneration of R 95,084.

The remuneration in the table above is the total cost paid to Mr T.C Ndlovu and Mr T. Goba.

#### Remuneration of Chief Financial Officer: See note below

Annual remuneration	659 095
Travel allowance	153 000
Bonus	102 957
Acting allowance	93 002
Leave paid	120 735
Contributions to UIF	11 539
	<b>1 140 328</b>

The Chief Financial Officer Mr. V.B. Mkhafa was appointed on 04 August 2016 to 30 April 2017. His total remuneration paid was R 1 047 326. Ms N. Madonsela was appointed acting Chief Financial Officer from 01 April 2017 to 30 June 2017 was paid an acting allowance of R 93 002.

The remuneration in the table above is the total cost paid to Mr. V.B. Mkhafa and acting allowance paid to Ms. N. Madonsela.

#### Remuneration of Chief Operating Officer: Steyn. L

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### 33. Employee related costs (continued)

Annual remuneration	1 080 200
Travel allowance	151 355
Leave paid	242 646
Contributions to UIF	13 548
	<b>1 487 749</b>

The Chief Operating Officer was appointed on 04 August 2016.

#### Remuneration of Executive Infrastructure Services: Nkambule BE

Annual remuneration	986 973
Travel allowance	244 582
Leave paid	26 375
Contributions to UIF	12 317
	<b>1 270 247</b>

The above Executive Manager was appointed on 04 August 2016.

#### Remuneration of Executive Manager Corporate Support Services: See note below

Annual remuneration	570 552
Travel allowance	144 000
Acting allowance	85 099
Leave paid	78 619
Contributions to UIF	38 148
	<b>916 418</b>

The Executive Manager Corporate Support Services Ms. T. Morolo was appointed on 04 August 2016 to 30 April 2017 and received a total remuneration package of R 831 319. Ms. L Pakiri was appointed acting Executive Manager Corporate Support Services and received an acting allowance of R 85 099

#### Remuneration of Executive Manager Community Services: Matshego TMM

Annual remuneration	968 370
Travel allowance	263 185
Acting allowance	65 242
Leave paid	158 248
Contributions to UIF	14 057
	<b>1 469 102</b>

The above Executive Manager was appointed on 04 August 2016 to 30 June 2017.

#### Remuneration of Executive Manager Development and Planning: See note below

Annual remuneration	778 296
Travel allowance	216 971
Acting allowance	89 923
Leave paid	242 646
Contributions to UIF	11 265
	<b>1 339 101</b>

The Executive Manager Development and Planning Mr J.T. Moloi was appointed on 04 August 2016 to 30 April 2017 and received a total remuneration package of R 1 249 178. Mr. V Hadebe was appointed acting Executive Manager Development and Planning and received an acting allowance of R 89 923

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### 34. Remuneration of councillors

Councillors

21 369 653

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

04 August 2016 to 30 June 2017	Appointment date	Annual remuneration	Travel allowances	Cellphone allowances	Total
Cllr. M.E. Khumalo (Executive mayor)	04 August 2016	541 104	180 368	30 918	752 390
Cllr. V. Nqina-Mzondeki (Speaker)	04 August 2016	421 724	147 695	27 161	596 580
Cllr. M. Jokazi (Council whip)	04 August 2016	401 642	133 880	23 561	559 083
Cllr. J. Legoete (MMC)	04 August 2016	390 965	133 890	24 661	549 516
Cllr. A. Gela (MMC)	04 August 2016	390 964	130 320	23 561	544 845
Cllr. D. Molebatsi (MMC)	04 August 2016	390 964	130 319	23 561	544 844
Cllr. T. Grobler (MMC)	04 August 2016	389 378	133 890	24 661	547 929
Cllr. S. Matakane (MMC)	04 August 2016	390 965	133 890	24 661	549 516
Cllr. S. Mazibuko (MMC)	04 August 2016	390 964	130 319	23 561	544 844
Cllr. S. Moumakwe (MMC)	04 August 2016	390 965	130 320	23 561	544 846
Cllr. N. Dyase (MMC)	04 August 2016	390 965	130 320	23 561	544 846
Cllr. D. Sithole (MMC)	04 August 2016	390 964	130 320	23 561	544 845
Cllr. G. Khoza (MMC)	04 August 2016	390 964	130 320	23 561	544 845
Cllr. A. Mosina (MPAC Chairperson)	04 August 2016	379 578	126 949	23 561	530 088
Cllr. B. Matebesi	04 August 2016	170 225	56 738	24 661	251 624
Cllr. M. Mtyotywa	04 August 2016	170 225	56 738	24 661	251 624
Cllr. D. Machaba	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Ndamane	04 August 2016	165 153	55 048	23 561	243 762
Cllr. K. Tsotetsi	04 August 2016	165 153	55 048	23 561	243 762
Cllr. N. Mapena-Dlamini	04 August 2016	170 225	56 738	24 661	251 624
Cllr. D. Mbulula	04 August 2016	165 153	55 048	23 561	243 762
Cllr. T. Tlholoe	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Sello	04 August 2016	170 225	56 738	24 661	251 624
Cllr. F. Matshogo	04 August 2016	168 551	59 012	24 661	252 224
Cllr. P. Faku	04 August 2016	170 225	56 738	24 661	251 624
Cllr. N. Matiwane	04 August 2016	165 153	55 048	23 561	243 762
Cllr. A. Saba	04 August 2016	165 153	55 048	23 561	243 762
Cllr. W. Matshaya	04 August 2016	165 153	57 918	23 561	246 632
Cllr. W. Njani	04 August 2016	165 153	55 048	23 561	243 762
Cllr. N. Kolo	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Ngamntwini	04 August 2016	165 153	55 048	23 561	243 762
Cllr. S. Khenene	04 August 2016	175 318	55 048	23 561	253 927
Cllr. I. Merabe	04 August 2016	165 153	55 048	23 561	243 762
Cllr. N. Ncele	04 August 2016	165 153	55 048	23 561	243 762
Cllr. N. Baza	04 August 2016	165 153	55 048	23 561	243 762
Cllr. A. Van Tonder	04 August 2016	170 225	56 738	24 661	251 624
Cllr. S. Erasmus	04 August 2016	170 225	56 738	24 661	251 624
Cllr. E. De Lange	04 August 2016	170 226	56 738	24 661	251 625
Cllr. C. Harrison	04 August 2016	170 225	56 738	24 661	251 624
Cllr. J. Beaufort	04 August 2016	170 226	56 738	24 661	251 625
Cllr. P. Dick	04 August 2016	170 226	56 738	24 661	251 625
Cllr. G. Samson	04 August 2016	154 630	51 540	22 327	228 497
Cllr. I. Ramphore	04 August 2016	165 153	55 048	23 561	243 762
Cllr. B. Mahuma	04 August 2016	162 453	59 420	24 661	246 534
Cllr. G. Kruger	04 August 2016	170 225	56 738	24 661	251 624
Cllr. E. Krog	04 August 2016	165 153	55 048	23 561	243 762
Cllr. H. Hild	04 August 2016	178 515	55 048	23 561	257 124
Cllr. D. Cloete	04 August 2016	170 226	56 738	24 661	251 625
Cllr. N. Williams	04 August 2016	165 153	55 048	23 561	243 762
Cllr. P. Mavuso	04 August 2016	165 153	55 048	23 561	243 762
Cllr. P. Francis	04 August 2016	170 225	56 738	24 661	251 624



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### 34. Remuneration of councillors (continued)

Cllr. S. Sekhokho	04 August 2016	165 153	55 048	23 561	243 762
Cllr. J. Biyela	04 August 2016	165 153	55 048	23 561	243 762
Cllr. F. Bergman	04 August 2016	165 153	55 048	23 561	243 762
Cllr. R. Masemola	04 August 2016	165 153	55 048	23 561	243 762
Cllr. B. Munyai	04 August 2016	165 153	55 048	23 561	243 762
Cllr. A. Zingela	04 August 2016	165 153	55 048	23 561	243 762
Cllr. J. Matebesi	04 August 2016	165 153	55 048	23 561	243 762
Cllr. B. Ramaphala	04 August 2016	165 153	55 048	23 561	243 762
Cllr. A. Thekiso	04 August 2016	149 732	49 908	21 361	221 001
Cllr. B. Letlhake	04 August 2016	165 153	55 048	23 561	243 762
Cllr. J. Letsholo	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Sethepo	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Mthimkhulu	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Nkoe	04 August 2016	165 153	55 048	23 561	243 762
Cllr. M. Chabane	04 August 2016	165 153	55 048	23 561	243 762
Cllr. C. Brough	04 August 2016	154 630	51 540	22 327	228 497
Cllr. Sityebi	04 August 2016	154 630	51 540	22 327	228 497
Cllr. P. De Jager	04 August 2016	88 048	29 348	12 561	129 957
Cllr. J. Letlhake	01 April 2017	46 263	20 560	8 800	75 623
Cllr. M. Ramotlhale	01 June 2017	15 421	5 140	2 200	22 761
		<b>14 768 347</b>	<b>4 949 642</b>	<b>1 651 664</b>	<b>21 369 653</b>

### In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Executive Mayor has two full-time bodyguards and the Speaker has one full-time bodyguard.

### 35. Depreciation and amortisation

Property, plant and equipment	148 176 583
Intangible assets	290 784
	<b>148 467 367</b>

### 36. Impairment loss of assets

#### Impairments

Property, plant and equipment	62 297 002
Impairments loss was mainly due to the Municipal Toekomsrus offices that were burnt during the financial period.	

### 37. Finance costs

Trade and other payables	24 025 937
Finance leases	1 224 052
Current borrowings	5 146 687
Interest cost on employee benefit obligations	17 018 940
	<b>47 415 616</b>

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### 38. Debt impairment

Contributions from receivables from exchange transactions	81 033 176
Contributions from receivables from long term receivables	(3 915 367)
Contributions from receivables from non exchange transactions	(4 796 336)
	<b>72 321 473</b>

### 39. Assets derecognised

Investment property	2 790 285
Property, plant and equipment	6 978 030
	<b>9 768 315</b>

Investment property derecognised was mainly due to derecognition of land during the financial period.

Property, plant and equipment assets derecognised were assets that could not be located during physical verification and have been removed from the Municipality's asset register.

### 40. Bulk purchases

Electricity	383 913 110
Water	173 108 991
	<b>557 022 101</b>

### 41. Contracted services

Credit cost control	7 365 174
Security services	19 850 398
Water purification contract	1 441 395
Prepaid vending costs	14 350 089
	<b>43 007 056</b>

### 42. Grants and subsidies paid

SPCA Grants	1 500 000
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### 43. General expenses

Advertising and communication	889 194
Arbitration costs	81 830
Audit committee costs	497 941
Auditors remuneration	13 035 951
Bank charges	4 053 411
Burial expenses	279 431
Bursary expenses	4 386 785
Cleaning	592 128
Commission paid and discounts allowed	211 939
Conferences and seminars	230 212
Consulting and professional fees	23 335 004
Consumables	629 473
Expanded public works programme	4 538
Farming	439 902
Fuel and oil	8 903 495
IT expenses	2 365 484
Insurance	3 873 895
Library programs	513 276
Motor vehicle expenses	8 269 638
Municipal demarcation transition expenses	7 600 260
Municipal events and improvements	5 355 330
Municipal service charges	4 078 748
Municipal systems improvement grant expenses	1 106 356
Occupational health	252 692
Performance management system	1 500 000
Postage and courier	1 887 745
Printing and stationery	1 420 554
Refreshments	22 655
Refuse	207 331
Rental expenses	5 907 806
Subscriptions and membership fees	3 410 278
Telephone and fax	3 307 943
Traffic control expenses	387 691
Training	1 738 558
Travel and subsistence	20 486
Uniforms	2 895 928
Valuation expenses	229 441
Water research levy	1 313 805
	<b>115 237 134</b>

### 44. Fair value adjustments

Investment property	8 852 631
Biological assets	(32 942)
	<b>8 819 689</b>

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### 45. Cash generated from operations

Surplus	47 094 051
<b>Adjustments for:</b>	
Depreciation and amortisation	148 467 367
Fair value adjustments	(8 819 689)
Finance costs - Finance leases	1 224 052
Impairment loss	62 297 002
Debt impairment	72 321 473
Movements in retirement benefit assets and liabilities	(8 085 021)
Assets derecognised	9 768 315
<b>Changes in working capital:</b>	
Inventories	(959 018)
Receivables from exchange transactions	136 405 948
Receivables from non exchange transactions	(43 416 770)
Other receivables from non-exchange transactions	(1 550 319)
Prepayments	(374 903)
Payables from exchange transactions	(155 169 883)
VAT	19 572 959
Payables from non-exchange transactions	(1 664 600)
Unspent conditional grants and receipts	20 231 754
Consumer deposits	(5 784 448)
Other receivables from exchange transactions	(1 064 297)
	<b>290 493 973</b>

### 46. Commitments

#### Already contracted for but not yet spent

• Capital expenditure	139 644 812
• Operating expenditure	100 510 549
	<b>240 155 361</b>

This committed expenditure relates to capital and operating expenditure and will be financed by grants and internally generated funds.

#### Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. Contingent rent is payable based on quantity of papers printed on the rental of printers contract..

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### 47. Contingencies

#### Contingent liabilities

Possible claim for performance bonuses for former Randfontein Local Municipality managers	9 578 617
Claim by Mr Grobler against the municipality for eviction application	6 500 000
Claim by Fluxrab investments for none payment of municipal services	6 474 376
Claim by employees due to differences in salary notches.	5 115 397
Claim by N.B. Ngova for personal injuries sustained due to an uncovered hole	2 460 000
Claim by L.N. Khwaphuna over injuries sustained due to falling into an uncovered manhole	2 460 000
Claim by Pipe Jack for services rendered	2 394 103
Claim by Van Greunen Ann Marie for damages and loss of income due to negligence that caused the death of her husband.	1 698 928
Claim by Lubbe Construction for non-payment for services rendered	1 672 305
Claim by Enzani Technologies for services rendered	1 597 226
Claim by SAMWU for employees on fixed term contracts to be made permanent	1 293 239
Claim by Marina Nolte for injuries sustained in June 2004	1 200 000
Claim by Maureen Sila as a result of failure to have covered/repared an open manhole that she fell into	773 000
Claim by Advidatta trading for economic loss and misrepresentation	700 000
Claim by Aranda Textile for loss of income due to power outages	612 513
Claim by L.M. Zibula for injuries sustained due to falling into an open drain	600 000
Claim by Thembakazi Buso as a result of failure to have covered/repared an open manhole that she fell into	550 000
Claim by Ipeleng Magdelene Letsholo for an injury caused by an open manhole in porges street Randfontein	500 000
Claim by Mahlaba Ramogohlo Welhemina as a result of failure to have covered/repared an open manhole that she fell into	400 000
Claim by Mokoduo Incorporated for legal services rendered	399 595
Claim by Z.P. Ndaba for injuries sustained caused by an uncovered manhole	380 000
Claim by Matlakala Martha Kgarudi as a result of failure to have covered/repared an open manhole that she fell into	360 000
Claim by Syntell Pty Ltd	350 000
Claim Seshibe Makiletjie Gideon damages caused by an alleged assault by the municipality traffic officers	300 000
Claim by N. Mzayiya for damages due to injuries sustained caused by an uncovered manhole	300 000
Claim by Otilian Carlos as a result of falling into amanhole that the municipality failed to alert	250 000
Claim by Thabo P Mthembu for damages for an unlawful arrest, damages to property and legal fees	237 000
Claim by L.L. Hlatswayo for damages caused by a pothole	223 250
Claim by Mokhele in respect of the interpretation of collective agreement	140 000
Claim by B. Mlawuli for unfair dismissal	108 000
Claim by L.C.M. Orton for unlawful/wrongful arrest	100 000
Claim by Eugene's packed spices for damages caused by a pothole	99 610
Claim by David Moeletsia against the municipality for car damages by the municipality's employee	95 340
Claim by PPB Mosing for damages due to municipality's failure to clear a refuse dump	87 410
Claim by C Heinz due to unfair labour practice	81 250
Claim by W. Ramanyai for a matter of unfair labour practice	53 292
Claim by Christo Dekker as a result of failure to have covered/repared an open manhole that he fell into	50 000
Claim by B. Munyai for unfair labour practice	50 000
Claim by K Opperman for damages caused by a pothole	40 053
Claim by T. Molefe for damages caused by a pothole	38 850
Claim by Maria Le Roux for damage due to potholes	35 754
Claim by Me Gladys Mahobane iro personal injury resulting from roads and storm water construction activities	34 300
Claim by N.M. Ndlovu for damages to the car due to council having failed to close or barricade a ditch	33 402
Claim by O. Makgobe for damage caused by unfixed potholes	32 933
Claim by C.H. Barnard for damages caused by a pothole	32 275
Claim by R J Panelbeaters against the municipality for services rendered	31 831
Claim by A. Jansen Van Rensburg for claim against council due to unmarked speed humps	30 635

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### 47. Contingencies (continued)

Claim by A. Havenga for damages caused by a pothole	28 210
Claim by M. Botha for damages caused by a pothole	26 009
Claim by H Kluyts for damages to a vehicle as a result of traffic signs that were not properly marked	25 606
Claim by M. Van Heerden for damages caused by a pothole	16 919
Claim by Wyvand Swart for damages to vehicle caused by a pothole on the main road close to Lafarge, Randfontein	15 134
Claim by K. Modiswe for damages caused by a pothole	13 785
Claim by K.R. Modise for damages to the car due to unfixed pothole	13 784
Claim by B.Phulamba for damages caused by a pothole	12 950
Claim by D. Narsi for damages caused by a pothole	11 940
Claim by A. Coetzee for damages caused by a pothole	8 489
Claim by SM Thabalaka for TP vehicle damage due to potholes	8 406
Claim by B. Van Wyk for damages caused by a pothole	8 310
Claim by W. Becheni for damages caused by a pothole	7 440
Claim by M. Bezuidenhout for damages caused by a pothole	7 288
Claim by L. Leach for damages caused by a pothole	6 527
Claim J Maluleka for damage from pothole	6 045
Claim by K. Moletsane for damages caused by a pothole	5 300
Claim by K. Tason for damages caused by a pothole	5 250
Claim by W. Van Rooyen for damages caused by a pothole	4 446
Claim by G. Motsumi for damages caused by a pothole	4 280
Claim by A. Stodart for damages caused by a pothole	4 036
Claim by A. Jansen Van Rensburg for damages caused by a pothole	3 910
Claim by Bridge butchery/aa. perreira for damages caused by a pothole	3 200
Claim by J. Coetzee for damages caused by a pothole	2 735
Claim by W. Meyer for damages caused by a pothole	2 715
Claim by J. Rolinyathi for damages caused by a pothole	1 886
Claim by S. Thompson for damages caused by a pothole	1 655
Claim by L. Van Wyk for damages caused by a pothole	1 584
Claim by PJ De Wet for TP vehicle damage due to potholes	1 550
Claim by J. Saulus for damages caused by a pothole	1 490
Claim by Me Lorette Grové in respect of third party injury	1 483
Claim by M. Prinsloo for damages caused by a pothole	1 485
Claim by D. Coetzee for damages caused by a pothole	1 410
Claim by D. Coetzee for damages caused by a pothole	1 340
Claim by F. Todd for damages caused by a pothole	1 300
Claim by I. Mohlabeng for damages caused by a pothole	800
Claim by K. Matlawe for damages caused by a pothole	710
Claim by N. Spoelstra for damages caused by a pothole	600
Claim by B. Pretorius for damages caused by a pothole	695

**50 825 186**

### Contingent assets

SARS has issued a number of assessments on the VAT submissions of the former Randfontein Local Municipality. Due to these assessments, the municipality has incurred interest and penalties. The Municipality submitted objections to SARS during the financial period and R 45 645 357 were allowed and R 27 346 650 were disallowed. These objections as well as the interest and penalties have been accounted for in the annual financial statements. At the end of the financial period, there were objections worth R 11 153 694 that were not yet concluded and the municipality regards these as contingent assets. They have not been recognised as an asset in the financial statements. Should the municipality be successful, the municipality expects that SARS will waive the penalties and interest. Refer to note 17 for VAT outstanding balance.

# Rand West City Local Municipality

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### 48. Related parties

#### Relationships

Accounting Officers	Refer to note 33
Executive Mayor	Refer to note 34
Speaker	Refer to note 34
Council Whip	Refer to note 34
Councillors	Refer to note 34
Inter governmental relations	Refer to note 32
Members of key management	Refer to note 33

Employees and organisations in which they have a direct or indirect material interest Refer to related party transactions below

#### Related party transactions

##### Purchases from / (sales to) related parties: Organisations in which councillors and/or employees have a direct or indirect material interest:

Shumba Event Solutions CC	116 000
Ray Joe Funeral Palour	20 000
Andre Rossouw Motors	58 581

### 49. Prior merger adjustments

Presented below are items contained in the accumulated surplus in Statement of Financial Position that have been affected by prior merger adjustments:

**Mines corrections** were reducing accumulated surplus R 68 389 480 due to the reversal of the amount billed on the mines and the allowance for impairment by R 447 128 987 and R 378 739 507 respectively as per the outcome of the valuation board and the court.

**Property, plant and equipment** was decreased by R 14 394 347 due to assets that were not previously accounted for that have been included in the investment property of the Municipality.

**Investment property** was decreased by R 9 911 600 due to properties that were not previously accounted for that have been included in the investment property of the Municipality.

**Service charges** were previously not recorded in the former Westonaria Local Municipality's financial records prior to the merger hence the adjustments of R 3 269 424 due to prepaid electricity and meter sales.

**VAT** was increased by R 3 263 468 due to SARS declining the input VAT of former Randfontein Local Municipality.

**Sale of stands** were previously not recognised an accrual basis in the former Westonaria Local Municipality hence the increase in accumulated surplus by R 197 060.

##### The corrections resulted in the adjustment of the Opening Accumulated Surplus as follows:

Mines corrections	(68 389 480)
Property, plant and equipment	(14 394 347)
Investment property	9 911 600
Prepaid electricity and meters	3 269 424
VAT	3 263 468
Sale of stands	197 060
	<u>(66 142 275)</u>

# Rand West City Local Municipality

(Registration number GT485)

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### 50. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Payables from exchange transactions	544 173 578	-	-	-	544 173 578
Payables from non exchange transactions	14 822 186	-	-	-	14 822 186
Unspent conditional grants and receipts	45 884 883	-	-	-	45 884 883
Consumer deposits	42 349 404	-	-	-	42 349 404
Borrowings	4 888 520	1 428 712	-	-	6 317 232
Finance leases	9 139 884	909 186	-	-	10 049 070
	<b>661 258 455</b>	<b>2 337 898</b>	-	-	<b>663 596 353</b>

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at financial period end were as follows:

Financial instrument	2017
Cash and cash equivalents	128 289 494
Receivables from exchange transactions	138 127 843
Receivables from non exchange transactions	18 524 878
Investments	12 231 316
Long term receivables	2 688 699

### 51. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 52. Events after the reporting date

The accounting officer is not aware of any matter or circumstance arising since the end of the financial period to the date of authorisation of these financial statements.



# Rand West City Local Municipality

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### 53. Unauthorised expenditure

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	370 054 261
Current financial period unauthorised expenditure: Impairment loss of assets	62 297 002
Current financial period unauthorised expenditure: Finance costs	42 473 806
Current financial period unauthorised expenditure: Debt impairment	51 566 873
Current financial period unauthorised expenditure: Assets derecognised	9 623 973
Current financial period unauthorised expenditure: Contracted services	849 775
	<b>536 865 690</b>

The current financial period unauthorised expenditure was due to under budgeting for the expenditure line items listed above.

#### Action taken/ to be taken in respect of unauthorised expenditure

Management submitted all unauthorised expenditure incurred in prior periods to council for investigation. At 30 June 2017, all prior year unauthorised expenditure was being investigated by the Municipal Public Accounts Committee. Current financial period unauthorised expenditure will be reported to Council in the next financial year.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure as the processes have not yet been concluded.

### 54. Fruitless and wasteful expenditure

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	61 452 267
Interest overdue creditors not previously reported: SARS	7 263 769
Interest overdue creditors: Eskom	20 098 058
Interest overdue creditors: Telkom SA Ltd	37 317
Interest overdue creditors: Otis	286
Interest overdue creditors: AL Maree Incorporated Quill Associates	548 657
Interest overdue creditors: Rand water	606 807
Interest overdue creditors: Tecrover	86 326
Interest overdue creditors: SARS	3 663 406
	<b>93 756 893</b>

The current financial period fruitless and wasteful expenditure was due to interests and penalties that were incurred due to cashflow challenges.

#### Action taken/ to be taken in respect of fruitless and wasteful expenditure

Management submitted all fruitless and wasteful expenditure incurred in prior periods to council for investigation. At 30 June 2017, all prior year fruitless and wasteful expenditure was being investigated by the Municipal Public Accounts Committee. Current financial period fruitless and wasteful expenditure will be reported to Council in the next financial year.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure as the processes have not yet been concluded.

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### 55. Irregular expenditure

Opening balance after the merger of Randfontein and Westonaria Local Municipalities	392 524 112
Add: Irregular Expenditure - current financial period	92 462 366
	<b>484 986 478</b>

### Analysis of irregular expenditure awaiting investigation

Non-Compliance with Section 62 of MFMA	8 346 398
Non-Compliance with section 13 SCM Regulations	189 962
Non-Compliance with Section 65 of MFMA	3 994 691
Non-Compliance with Section 17 SCM Regulations	21 411 846
Non-Compliance with section 20 SCM Regulations	308 991 822
Non-Compliance with section 29 SCM Regulations	69 517 917
Non-Compliance with section 30 SCM Regulations	45 086 293
Non-Compliance with section 32 SCM Regulations	10 001 981
Non-Compliance with section 38 SCM Regulations	2 512 465
Non-Compliance with section 36 SCM Regulations	7 951 770
Non-Compliance with section 22 SCM Regulations	534 030
Non-Compliance with section 19 SCM Regulations	908 763
Non-Compliance with section 5(1) of MSA	187 764
Non-Compliance with MFMA Regulation 116(3)(b)	5 350 776
	<b>484 986 478</b>

### Action taken/ to be taken in respect of irregular expenditure

Management submitted all irregular expenditure incurred to council for investigation. At 30 June 2017, all prior year irregular expenditure was being investigated by the Municipal Public Accounts Committee. Current financial period irregular expenditure will be reported to Council in the next financial year.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure as the processes have not yet been concluded.

### 56. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current financial period subscription / fee	3 410 278
Amount paid - current financial period	(3 410 278)
	<b>-</b>

#### Material distribution losses

Electricity	70 720 061
Water	51 854 325
	<b>122 574 386</b>

Electricity distribution losses for the current financial period was 60,965,570 kilowatts which represents 13% of total electricity purchased. These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses.

Water distribution losses comprises of non-billed water, and for the current financial period was 6,855,869 kilolitres which represents 31% of total water purchased. These water distribution losses cannot be accounted for mainly due to theft, faulty pipes, spillages etc.

See note 40 for the total electricity and water bulk purchases for the financial period.

# Rand West City Local Municipality

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### 56. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Audit fees

Current financial period subscription / fee	13 259 030
Amount paid - current financial period	(12 739 071)
	<b>519 959</b>

#### PAYE and UIF

Current financial period subscription / fee	54 415 498
Amount paid - current financial period	(48 240 715)
	<b>6 174 783</b>

#### Pension and Medical Aid Deductions

Current financial period subscription / fee	100 390 592
Amount paid - current financial period	(90 730 050)
	<b>9 660 542</b>

#### VAT

VAT payable	69 646 019
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VAT output payables and VAT input receivables are shown in note 17.

All VAT returns have been submitted by the due date throughout the financial period.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor. D. Mbulula	70 855	91 336	162 191
Councillor. N. Soko	1 469	9 022	10 491
Councillor. M. Sethepo	1 428	18 649	20 077
Councillor. YI and A Legote	1 521	6 440	7 961
	<b>75 273</b>	<b>125 447</b>	<b>200 720</b>

During the financial period the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2017	Highest outstanding amount
Councillor. D. Mbulula	162 191
Councillor. M. Sethepo	20 077
Councillor. N. Soko	10 491
Councillor. YI and A Legote	7 961
	<b>200 720</b>

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### 56. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer.

#### Incident

In terms of SCM regulations 36 (a)(i): In an emergency	708 975
In terms of SCM regulations 36 (a)(ii): Sole provider	240 116
In terms of SCM regulations 36 (a)(v): Impractical or impossible to follow procurement process	9 903 825
	<b>10 852 916</b>

### 57. Budget differences

#### Material differences between budget and actual amounts

All budget fluctuations above 10% in comparison to actual results for the financial period were considered material and are explained in the Statement of Comparison of Budget and Actual Amounts.

57.01 **Service charges** is below 10% variance threshold which is acceptable.

57.02 **Rental of facilities and equipment** was over budgeted for.

57.03 **Interest received - outstanding receivables** was less than budget due to debts written off by council.

57.04 **Income from agency fees** was over budgeted for.

57.05 **Other income** was over budgeted for.

57.06 **Interest received - investment** realised more funds due to more money being invested in Investec call account before spending.

57.07 **Property rates** was over budgeted for prior to the court and valuation board ruling on the billing of the mines that was concluded after the budget was prepared.

57.08 **Government grants and subsidies** had a variance due to the unspent grants that were not recognised as revenue because the conditions of the grants had not been met.

57.09 **Public donations and contributions** was not budgeted for during the financial period.

57.10 **Fines** were under budgeted for, more traffic infringements were recorded during the current financial period.

57.11 **Employee related costs** were over budgeted for in anticipation of increased salaries with merger.

57.12 **Remuneration of councillors** was budgeted for 7% increase, whereas the upper limits approved were 4% for councillors and no increase for the Mayor, Speaker, Chief Whip and MMCs.

57.13 **Depreciation and amortisation** was over budget for.

57.14 **Impairments loss of assets** was mainly due to the Municipal Toekomsrus offices that were burnt during the financial period. This was not budgeted for and was reported as unauthorised expenditure and will be reported to council.

57.15 **Finance costs** were under budgeted for due to the interest costs on employee benefit obligation which was not budgeted for and interest on creditors which the Municipality is not allowed to budget for, the excess was reported as fruitless and wasteful and unauthorised expenditure and will be reported to council.

# Rand West City Local Municipality

(Registration number GT485)

Financial Statements for the financial period ended 30 June 2017

## Notes to the Financial Statements

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### 57. Budget differences (continued)

57.16 **Debt impairment** was under budgeted for due to debtors written off during the financial period as per council approval. The overspending was reported as unauthorised expenditure and will be reported to council.

57.17 **Assets derecognised** was mainly due to the Municipality's assets and investment properties that were derecognised. This was not budgeted for and was reported as unauthorised expenditure and will be reported to council.

57.18 **Repairs and maintenance** was over budgeted for.

57.19 **Bulk purchases** was over budgeted and there was an immaterial variance.

57.20 **Contracted services** was under budgeted for, the increase in cost was due to extension of security services approved by council. The overspending was reported as unauthorised expenditure and will be reported to council.

57.21 **Transfers and subsidies** has no variance.

57.22 **General expenses** are within budget.

57.23 **Fair value adjustments** was mainly increased by the increase in value of the Municipality's investments property during the financial period and was not budgeted for hence the variance.

57.24 **Actuarial gains** was mainly increased due to the value of the Municipality's Employee benefit obligations valuations during the financial period which was not budgeted.

FINAL 30 AUGUST 2017

# Rand West City Local Municipality

(Registration number GT485)

## Appendix A

### Schedule of external loans as at 30 June 2017

	Loan Number	Redeemable	Balance at 04 August 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip Rand
			Rand	Rand	Rand	Rand	
<b>Development Bank of South Africa</b>							
Development Bank of South Africa	61001399		5 511 486	-	1 523 596	3 987 890	-
Development Bank of South Africa	61001400		681 807	-	681 807	-	-
Development Bank of South Africa	10506/102	30/06/2017	411 536	-	411 536	-	-
			<b>6 604 829</b>	<b>-</b>	<b>2 616 939</b>	<b>3 987 890</b>	<b>-</b>
<b>Standard Bank</b>							
Standard bank	STD BANK	01/09/2017	4 420 353	-	2 990 738	1 429 615	-
			<b>4 420 353</b>	<b>-</b>	<b>2 990 738</b>	<b>1 429 615</b>	<b>-</b>
<b>INCA West</b>							
INCA West	01-0008		461 188	-	461 188	-	-
INCA West	01-0009		1 690 306	-	790 579	899 727	-
			<b>2 151 494</b>	<b>-</b>	<b>1 251 767</b>	<b>899 727</b>	<b>-</b>
<b>Finance lease</b>							
Fleet Africa	000348		16 612 446	-	6 982 492	9 629 954	8 286 513
Wesbank	LS-9/09/15		661 151	-	242 035	419 116	359 949
			<b>17 273 597</b>	<b>-</b>	<b>7 224 527</b>	<b>10 049 070</b>	<b>8 646 462</b>
<b>Total external loans</b>							
Development Bank of South Africa			6 604 829	-	2 616 939	3 987 890	-
Standard Bank			4 420 353	-	2 990 738	1 429 615	-
INCA West			2 151 494	-	1 251 767	899 727	-
Finance lease			17 273 597	-	7 224 527	10 049 070	8 646 462
			<b>30 450 273</b>	<b>-</b>	<b>14 083 971</b>	<b>16 366 302</b>	<b>8 646 462</b>